FINANCIAL

MONDAY SEPTEMBER 16 1996

Start the week



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US backs away from further attack on Iraq

The US appeared to back away from another confrontation with Iraq. Washington will closely monitor the actions of President Saddam Hussein, but will not be "pressed into over-react-ing", a senior US official said. The White House despatched a host of officials to appear on US television to outline a "wait-and-see" attitude to further attacks on Iraq. They hinted that the US might refrain from further retaliation unless provoked. Page 16; Show of strength shows US weakness, Page 4

Brady bonds poised to advance: Brady bonds are poised to make further gains after prices rose to an all-time high last week, partly reflecting improved creditworthiness of many Latin American and eastern European economies against whose debts the bonds were issued Page 17; Broadening investor base buoys

Battle of the computer billionaires



Microsoft chief Bill Gates (left) and Oracle head Larry Ellison are set to clash over the future of personal computing at an industry forum in Paris. Mr Ellison is promoting lowercost network computers, which he predicts will soon outsell personal computers. Mr Gates has responded

scathingly to Mr Ellison and will continue to defend the PC. Forum organisers are billing the confrontation as the "battle of the billionaires".

'3Ae not to lift Airbus stake: British Aerospace will not press for an increase in its 20 per cent stake in Airbus Industrie when it becomes a limited company, even though its assets could prove to be worth relatively more than those of its European partners. Page 17; Editorial Comment, Page 15

UK's 'mad cow' plea faces rejection: Britain will today call for a cut in the number of cattle to be killed under a selective slaughter policy aimed at eradicating mad cow disease. A meeting of EU farm ministers in Brussels is expected to reject the call and seek a review of the selective cull. Brussels prepares to take crisis by the horns. Page 2

Hoechst may sell chemicals stake: European chemicals and pharmaceuticals group Hoechst may sell a stake in its chemicals business as part of a broader reorganisation of the group, a senior board member said. Page 17

France plans new pension scheme France stressed its determination to launch a supplementary pension scheme for private sector employees before the end of the year. Page 2

Business booming at UK law firms: The UK's leading commercial law firms are enjoying 1980s, supported by the increasing success of their international operations, a survey shows.

gypt seeks debt rating: Egypt asked US credit rating agency Moody's for a sovereign debt rating despite a finance ministry statement that the country did not plan to borrow. Officials believe Moody's was planning to produce an unsolicited rating. Page 4

Sell-offs net UK up to £11,5bn annually The privatisation of UK state enterprises such as British Steel and British Telecommunications has benefited the Treasury by between £6.7bn and £11.5bn (\$10.5bn-\$17.9bn) a year over 10 years, a report shows. Page 6; Editorial Comment, Page 15

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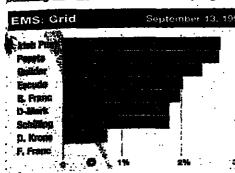
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the neg or three Patten warns on Hong Kong legislature: Hong Kong governor Chris Patten told Beijing that its plans to replace the territory's legislature threatened a smooth handover of power from Britain next year. Page 5

European Monetary System: The Irish punt became the strongest member currency of the EMS last week. It rose four places in the RMS grid to replace the Spanish peseta at the top. The French franc remained the weakest currency, but gained ground on the krone, the schilling and the D-Mark. Currencies, Page 25



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 225

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Switzerland plans to widen hunt for Nazi gold

By William Hall in Zurich

The Swiss government will today announce plans to extend the search for information about looted Nazi gold and other second world war assets to lawyers, trustees and other bodies which dealt with Germany between 1933 and 1945.

In a response to growing international criticism of Switzerland's wartime role, Mr Flavio Cotti, the Swiss foreign minister, and Mr Hans Meyer, the chairman of the Swiss National Bank, are expected to put Switzer-

land's side of the issue which is damaging its reputation.

Draft laws, which are being pushed banks. Mr Cotif will meet Mr Malbournes to allow the investigation of the fate of assets sent to Switzerland during the war. The government intends to appoint a panel of experts for the investigation and review earlier Swiss measures to Senior Swiss politicians have been that substantial amounts of looted to support to support the problem.

That substantial amounts of looted to support to support the problem of the issue which are being pushed are still hidden in Swiss to e. charges the Paul Volcing the Will amongst all of Switzerland's Politicians and business leaders to clear that most of the ISS Francisis to the USS Francis to the Investigation has to be supported to stress that most of the ISS Francis to the Investigation has to be supported to stress that most of the ISS Francis to the Investigation has to be supported to stress that most of the ISS Francis to Clear the USS Francis to the ISS Francis to the Investigation has to be supported to stress that most of the ISS Francis to ment intends to appoint a panel of

Senior Swiss politicians have been embarrassed by the international reaction to last week's British Foreign Office report which suggested

nd setting up an official investiga-ion is to try to re-establish the coun-ry's international reputation.

The draft legislation was designed tional legal affairs at the Swiss forand setting up an official investigation is to try to re-establish the country's international reputation.

the year, However, the law could be delayed if 50,000 signatures are collected to demand a referendum.

FT guide to Nazi gold, Page 7 Observer, Page 15

Bank of **England** chief warns of Emu rift

By Andrew Gowers and Gillian Tett in London

European monetary union preparations could be harmed by likely member countries attempting to discriminate against non-members, Mr Eddie George, governor of the Bank of England claimed.

In an interview with the Financial Times, he warned that the dispute between Britain, France and Germany over access to a future EU inter-bank payment system threatens to undermine co-operation between European central banks and create an unnecessary split between members and non-members of Emu, due to start in 1999.

"For the first time something was being introduced into the Emu discussion which was discriminatory for a nonmonetary reason," Mr George said. "It suggests that the game might now be changing."

His remarks come amid con-"opt-out" from Emu would affect IIK husiness and the City, the UK's financial centre.

In particular, there is concern that British banks will suffer if. as France and Germany insist, countries outside Emu have limited access to a new "real-time" payment system, called Target.

In his first public statement on Target since the dispute emerged, the Bank governor said the issue itself was "trivial". However, he said it was

Emu tightrope

symbolically significant given

ued co-operation between central banks in the European Monetary Institute, forerunner of the European central bank that will oversee the single currency, the euro.

was coming under severe political strain as the launch date for Emu approached. "I don't see why the situa-tion should develop into a split

But you could see that developing if the 'ins' felt that they were imposing on themselves a discipline which is not going to apply to the others. said he:

needs to be taken.

Call over euros

current efforts by French and German banks to "steal a competitive march" by restricting

Mr George argued for contin-

But he said this co-operation

between the 'ins' and 'outs'.

• Thought it "less likely" than he believed a year ago that the economic conditions for Emu to start would be in place by the time a decision

 Was concerned that Emu founder members might be tempted to "fudge" the strict economic criteria for budget deficit and debt reduction imposed by the Maastricht



Seeing hope for the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Penner House Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Penner House Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Penner House Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Penner House Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Penner House Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Penner House Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conference yearer Day Respect to the future in former Yugoslavia: Richard Holingtons at a Sarajevo new conf

By Laura Silber in Sarajevo

The international organisers of independent Bosnia's first peacetime election last night brushed aside Moslem complaints and insisted that Saturday's poll had largely been free

and fair. The provisional endorsement for Security and Co-operation way for a formal seal of approval later this week and the final lifting of UN sanctions against Serb-led Yugo-

slavia by the end of the month. Mr Richard Holbrooke the author of the Dayton peace agreement, said the election had laid the ground for a breakthrough in relations between Serbia and Bosnia. three weeks' time.

Sir Renneth Scott dennty Continued on Page 16 head of the OSCE mission, said

Moslem complaints rejected by organisers

Election Committee was in general pleased with the way the elections went. There was remarkably little violence."

Ms Agota Kuperman, an OSCE spokeswoman, described of the poll by the Organisation the elections as "almost entirely free of abuse" and observers, according to our preliminary reports, have been well satisfied with the arrange-

ments they observed." The OSCE's verdict came in

Democratic Action, the SDA, which holds power in Sara- nia before the war. jevo. The Moslem nationalist party said "the necessary con-ditions did not exist to provide for free and fair elections" in Republika Srpska, the Bosnian roughly half of Bosnia.

Mr Holbrooks described the

SDA's challenge as long-SDA officials yesterday spite of a strong complaint, in steed by their complaints, say-

yesterday: "The Provisional an open letter to the UN Secu- ing that the number of regis-Election Committee was in rity Council, by the Part of Sech voters exceeded the number of Serbs living in Bos-

In response to the Moslem protest, Bosnian Serb authori-ties briefly ordered local comvotes in Republika Srpska. the likely make up of new pan-

Bosnian institutions - a parliament and three-person presi-

Continued on Page 16 Sighs of relief, Page 2

Sony ousts top executive of struggling film division

in Los Angeles

Sony's embattled film division has been thrown into renewed turmoil by the ousting of its top executive and the refusal of the job by the man expected to replace him.

The debacle underscores the Japanese electronics group's failure over more than six years to control its costly Hollywood investment and throws into doubt the future of other top executives in Los Angeles and at the group's US headquarters in New York. It also raises the prospect

ment industry - an option so far rejected by Mr Idel Nobuyuki, Sony group president. The latest crisis came over Canton, head of Columbia and TriStar studios, was removed.

seek a partner in the entertain-

kin, the choice of Mr Alan Levine, president of Sony Pictures Entertainment embraces television and film operations, coincided with reports that Mr Nobuyuki was unhappy with publicity surrounding the headhunting pro-

the weekend, when Mr Mark for Columbia studios and the Mr Arnold Rifkin, chosen to succeed him, simultaneously announced he would stay on

agency.
The withdrawal of Mr Rif-

The episode has left a cloud

Sony wishes on a star Pege 17

over Mr Levine's prospects. although the former lawyer that Sony may be forced to has been credited with helping stamp out spending excesses at Columbia and TriStar.

The group's film business has struggled since late-1989 when Sony paid almost \$5bn services of two relatively inexperienced, senior executives, Mr Peter Guber and Mr Jon In 1994, after a bad year at

the William Morris talent it had overpaid, and and a \$510m quarterly loss from films.

Trouble struck again last December when Mr Michael Schulhof, head of US operations, left abruptly after a dispute with Mr Nobuyuki. Sony's attempts to buy its

way out of trouble by paying record fees to actors and directors have failed and served mainly to prompt accusations that the group is a leading industry.

The Cable Guy, a big disappointment this year, was dis-

tinguished mainly by the \$20m paid to comic actor Jim Carrey which started a tresh round of pay escalation at other studios. Mr Nobuyuki has publicly supported Mr Levine on two occasions this year, but rumours continue to circulate that he is on the way out. There have also been reports that Mr Jeff Sagansky, the senior US executive at Sony in as head of the film division at the box office, Sony admitted New York, has asked to leave.

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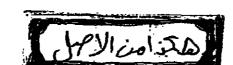
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CONTENTS





Sighs of relief as Bosnia votes in relative calm

Few displaced Moslems take up chance to vote in home towns

By Laura Silber in Brcko

Mr Richard Hollwooke, the author of the Dayton peace. accord, and Mr Carl Bildt, the Swedish politickin who has to put the non-military parts of the deal into practice, are keen to show the world how well they get

in private, they still have election day passed with their differences. But over great dignity and without the weekend, as they toured northern Bosnia by helicopter, the two men were a model of harmony as both breathed a sigh of relief over DIA's elections

What we was by and kinge a trouble-free election," declared Mr Holbrooke, sumnung up his impressions on a tour that took in the Serb stronghold of Banja Luka, the ethnically mixed city of Tuzka - and Hreko, a strateere town whose future status will be decided by legal arbigets, a Croat offensive was going on in the west and the killing was still going on in Breko," said Mr Holbrooke, agreement had already

brought huge dividends. Mr Bildt sounded an equally optimistic note: "The major incidents

But as bitter Bosnian Moslems were pointing out yes-terday, the lack of violence was in itself no proof of a perfectly run election. One reason why few inci-

dents occurred is that only a fraction of the voters who were uprooted by the "ethnic cleansing" campaign, launched by the Serbs in 1992, were bold enough to exercise their right to vote in their home towns.

Organisers said about with earlier predictions of

"A year ago today, Nato 60,000 - took advantage of northern parts of Serb-held was still humbing Serb tar- an arrangement under gets, a Croat offensive was which they could vote in special polling stations on the outskirts of their old home towns.

Those Moslems who did vote in Serb-held parts of Bosnia had to travel in special buses along designated routes which were kept secure by western troops. Outside Nova Kasaba, a

devastated village in Serbheld eastern Bosnia, some 35 Moslem refugees cast their bellots just 250 metres from a mass grave where the corpses of their co-religion-ists have been exhumed by war crimes investigators.

North-east of Brcko, another of the so-called Bosniak-dedicated polling stations" - places for Moslem refugees to vote turned out on inspection to be a green US army tent, lit by two bare light bulbs. Branka, a Serb election

official, seemed relieved by the fact that few Moslems had come to the tent to cast ballots: "Why should they come back" I am also a refugee - from Saraievo."

Continuing uncertainty which links the eastern and again."

Bosnia - was underlined by the strained atmosphere during a carefully staged visit to the town by two local mayors, a Croat and a Moslem.

Both men were clearly moved at their first opportunity in five years to visit their old homes, and see the factory where they used to work. However the Serb mayor - viewed as a relative moderate, but under strong pressure from local nationalist bosses - failed to turn up for a meeting with his two counterparts.

Using myself as inter-preter, the Croat and Mosm officials seemed anxious to tell Mr Bildt and Mr Holbrooke of their plans to reunite the region's communities. In US-controlled land west of Brcko, a bustling market - where all sides trade in food, livestock and machine parts - is a symbol

But Mr Munib Jusufovic, the Moslem mayor, had an fragility of peace. "Make no mistake. If American troops pull out, the market will disappear within three days and war will break out

France to launch pension scheme by end of year

By Andrew Jack and David Owen in Paris

The French government yesterday stressed its determination to launch a supplementary pension scheme for private sector employees before the end of the year despite the hostile reception the plans received earlier this month from politicians within the ruling majority, unions, banks and mutual

In an interview with the Financial Times, Mr Jean ics and finance, said the amended finance law to be submitted to parliament in December would contain the details of the system, which would be operating by 1997.

Mr Arthuis said that there would be tax relief for both employers and employees who contributed to the sys-

would only become available at retirement age - would be subject to normal income tax

He expressed disagreement with Mr Alain Juppé. the prime minister, over the way in which the money could be used - maintaining that beneficiaries of the new pension funds should only receive investment income at retirement. The prime minister has said they should also be able to withdraw some of the capital

Mr Arthuis also maintained that the funds must be managed according to the "etrict regulation" to which commercial insurers are sub-

Mr Arthuis stressed that the idea behind the new pension scheme was to create a supplementary retirement

designed to replace or dismantle the existing universel state system.

A second aim was to meet the government's objective to shift savings away from products which "increased the budget deficit" such as life assurance - which are largely invested in bonds and into pensions used to buy equities which could be productively invested in companies. We need companies. savings to be shifted towards investment that helps business," he said. "That is how

we will create jobs."
He estimated that of France's 14m private sector employees, perhaps 1m would take advantage of the new system, ultimately generating supplementary pen-sion contributions of about FFr30hn (\$5.9hn) a year. Politicians and business groups have been calling for Arthuis.

ultimately drawn - which wanted one, and was not pension fund reform for several years in the face of growing signs that the state system will be unable to cope with future demands as the population ages.

The unions fear that supplementary pension schemes will lead to a dilution of their influence in the staterun system, and French mutual insurance companies and banks have objected to Mr Arthuis' proposal that the new funds should be subject to the regulatory regime imposed on commercial

There are also tensions between political groups, with Mr Jean-Pierre Thomas, a member of the UDF ruling coalition, arguing that the government is ignoring par-Hament by overruling his proposed pension fund reforms in favour of different ones launched by Mr

Paris 'must set a date for start of accounting in euros'

By David Owen in Paris

France must decide in the next few months whether big French companies should be required to start accounting in euros from the planned launch of economic and monetary union on January 1 1999, according to Mr Jean Gandois, the head of the French employers' federation, the Patronat.

In an interview coinciding with the body's 50th birthday party today, in the cen-tral city of Politiers, Mr Gandois also signalled his backing for a remodelled European exchange rate mechanism and urged the French government to extend its present crackdown on public spending over at least five years. Mr Gandois said he

thought the timing of large French companies' switch to euro accounting needed to be settled by June 1997 "at the latest". He said the trend among French companies was to say they would have fewer difficulties if they took a common decision "ratified by the state" to make the tiveness". A remodelled expenditure in its 1997 bud-rules for un switch from the beginning of exchange rate mechanism get, due to be presented on nies," he said

the three-year emu transi-tion period. But Mr Gandols - a former

chairman and managing director of Pechiney, the French aluminium group, and chairman of Cockerill-Sambre, the Belgian steel company, since 1987 - indicated it might be advisable to allow a "period of flexibil-ity" for medium-sized com-

His remarks come two months after the Patronat warned companies to "start thinking now about the practical details of the euro's introduction". A separate study sponsored by the French central bank recently suggested big French compa nies could face severe problems unless they speeded up their preparations.

Mr Gandois spoke of a need to "clarify" the posi-tions of countries that did not participate in Emu at the first opportunity but said they wanted to join at a later date Such countries must give "precise undertakings not to use currency devaluations to improve competi-



dols: wants com decision on euro start date

was "certainly" necessary,

he said. On public spending Mr Gandois said it was vital that over several years. France reduce public spending as a proportion of gross domestic product by at least

5 percentage points. But while urging a sus-tained crackdown on public spending, he warned the down too hard on capital expenditure in its 1997 bud-

marily in capital rather than current expenditure, economic growth - which he expected to climb next year to between 2 per cent and 2.5 per cent – would inevitably

be slowed. Mr Gandois saw no easy answer to France's chronic unemployment problem: the most effective methods to combat high unemployment were "unfortunately methods that only produced results after a certain num-

ber of years". But he said the jobless rate - currently 12.5 per cent was "entering into a zone of stabilisation".

He said he agreed with the bulk of last week's parliamentary report on reforming company law that argued that French magistrates should lose some of their powers to pursue investigations into corporate corrup-

The Patronat's views differed from the report in thought it would be possible to have much simpler legal rules for unlisted compa-

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Brussels prepares to take beef crisis by the horns

Falling prices because of the BSE scare are putting the EU farm support system under strain. Caroline Southey explains.

Sevenings, the first hints of autumn, are sending a chill down the spines of EU beef farmers

It is traditionally the time when many farmers bring cattle off the grass and take them to market. This autumn the flood of sales risks sparking a crisis in a market already hit by sharp falls in prices and consumption because of fears over mad one disease

The imminent crisis has prompted calls for urgent action by Mr Franz Fischler, European agriculture commissioner. Proposals designed to prop up the mar-ket will be discussed today by EU farm ministers meeting in Brussels But strong political resistance to the plans means no decision on the package is expected until late October

Some EU officials fear that might be too late. Breaking point will come when failing beef prices trigger emergency procedures forcing the Commission to buy unlimited amounts of beef under the EU's inter-

horter days and cooler vention scheme. "We are not there yet. But we are not very far," said an EU official. Prices have to fall below 60 train. In Ireland the average price of all grades of animal stands at 62.5 per cent and in the I'K at 63.5.

"The fields are pretty full. A lot of animals will have to be bought and sold before the onset of winter. Prices are so shaky at the moment it would take little to knock off another 10 per cent," said one industry analyst.

Some estimates suggest that up to Ecusbn (\$10.2bn) has already been knocked off Similarly in France, Gerthe capital value of the EU's many and Italy, some Sim cattle. Overall, prices ground has been recovered stand at between 13 per cent and 21 per cent below last

Prices have fallen most sharply in the UK, France, Italy and Ireland. In Ireland prices for steers and heifers are down 12 per cent and for the price for steers has fallen by 20 per cent. In France the price for buils is down 21 per cent and in Germany 13 per

Behind the price statistics instead for local beef. lies a dismal picture of depressed consumption. The EU is expected to produce per cent of the intervention 7.89m tonnes of beef this year but fewer and fewer

consumers want it. In the UK, where production is set to fall by 23 per cent to 753 000 tonnes, consumption is expected to fall by 17 per cent to 745,000 tonnes. For prime cuts, the fall has been less marked, recovering to 80 per cent of levels recorded before the BSE crisis began in late March. However, mince and cheaper cuts remain 60 per cent below pre-March levels.

after the big falls recorded in the immediate aftermath of the crisis. Consumption is now running at 20 to 25 per cent below pre-crisis levels after initial falls of up to 50 per cent.

Although consumption is cows 18 per cent. In Britain recovering, the crisis has dramatically altered the pattern of trade across the union. Consumers are spurning beef imports from other Mopping up the excess will has proposed cutting arable member states, opting be dealt with partly by Mr aid payments, including a ? ing beef imports from other

"We are seeing an increas-ing renationalisation of the markets." said the industry analyst.

In France an active campaign for domestic beef under the VF (vache francaise) label has raised consumption of local beef at the expense of imported meat. ireland, one of the largest importers into France. expects its sales there to fall by up to 30 per cent this

Industry analysts predict that consumption will con-tinue to recover as fears over mad cow disease recede. Nevertheless, the immediate crisis remains. Even if consumption improves this year to between 10 and 15 per cent below pre-BSE levels, the EU will still be left with between 500,000 and 900,000 tomes of beef to dispose of, according to Bord Bis, the Irish food board.

A surplus of such proportions would continue to threaten the livelihood of farmers and the viability of the EU's beef sector.

eradicated from the poultry

flock. The use of animal

nant animals, now the chief

remains in fedder for run

EU cattle prices (August, \$ per kg) %age change Britain France Germany 3.25 3.57 3.10

EU beef surplus (000 tonnes) 7,890 6,647 7,890 7,038 Consumption Surplus Change on \$5 surplus 852 +552 1,243 +943

Fischler's proposal to lift the normal intervention ceiling from the current 400,000 tonnes to 700,000 tonnes for 1996. The Commission has aiready bought over 320,000 tonnes into intervention this year, leaving it little room for manoeuvre over the next is taken off through intervention, the less pressure there is on the market. But we do not have much snate capacity at the moment," said the EU official. AR EU member states

back the plan to raise the ceiling But a number, notably Germany, are vocifar-ously opposed to Mr Fischler's plans for paying for

To find the Ecul.7bn needed, the Commissioner has proposed cutting arable

fidence in local beef seemed

to extend to the remaining

imports, mainly from

But price may also have

been a factor. Beef prices

have failen 20 per cent since

1994 as joining the EU opened the door to cheaper

imports. These imports,

which account for 20 per

cent of the 160,000 tounes

eaten a year, have been even

cheaper this year as a result

of the effects of the BSE

affair - to the chagrin of

Swedish farmers.

Ireland and Denmark.

per cent reduction in aid to cereal farmers. Mr Flechler has warned that there is no alternative source for the money and that the cost of heading off a beef crisis has current budget.
"Member states are willing

hard decisions to get the market balance back," said an EU official. But without immediate action, the EU's beef farmers face a long, hard winter.

to do the easy bits. But they are reluctant to take the

THE FINANCIAL TIMES
Published by The Financial Times (Europe, Gashit, Nichempunjatz 1, 60318 Frankfart am Main, Germany, Telephone ++9)
87 156 830, Fast ++9 67 996 4861, Represented in Frankfart by J. Wahre Brand, Wilhelm J. Brimel. Colin A. Kenmard as Genchithführer and as London by David C.M. Bell. Chairman, and Alan C. Miller, Deputy Chairman, Stareholders of the Financial Times (Europe) Each Lat. London and F.I. (Germany Advertising) Lid. London and F.I. (Germany Advertising) Lid. London and F.I. (Germany Europe) Each London Stareholder of the above mentioned two companies in The Financial Times Limited, Number One Southwark Bridge, London SEI 6911.

SEI 98H.
GERMANY:
Responsible for Advertising: Colin A. Res-naud. Printer: Hirraye; International Ver-inguardischaft midd. Adment-Roserdahl-Strame: 3s. 67263 Neu Stanburg ISSN 0174-7163. Responsible Edisor: Rechard Lum-hert, eto The Fuzzacial Times Limited, Number One Southwark Bridge, London ent mart

PEANCE:
Publishing Director: P. Maraviglia, C. Rue
La Boeire, 75008 PARIS. Teisphone (01)
5716 R254. Fax (01) 5716 R253. Pranter:
SA. Nord Extain, 1921. Rue de Caire,
F-59100 Roubaint Codes; i. Edinor: Richard
Lambert. ISSN 1149-2753. Commission:
Parinaire No 6720RD.
SWEDENE
EXTRACTION 1440-1551.

Responsible Publisher; fingh Carneyy 468 6!8 6085: Printer: AB Evällenderingen: Expressen, PO Box 6007, S-550 06. Reklömes. Expresses, PO Box 6007, 5-550 06. Indicapent.

O The Financial Times Limited 1996. Editor: Richard Lambert. do The Financial Times Limited, Number One Southwark Bridge, London SE! 9HL R.

Sweden sidesteps mad cow mayhem

Bad weather, not BSE, is being blamed by Swedish farmers for a fall in beef consumption this year. Beef saies feil & per cent in the first seven months of the year. But that is much less than in many other European countries and is put down to a poor yeak season in June and July. "We really don't believe the fall is sine to the mad

cow disease crisis," says Ms

people usually buy beef to so calculy to the BSE scare? barbeque." spring and summer when

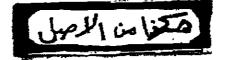
A recent survey by an independent market the health and safety of research group bears out Swedish meat produce this belief. It found that 28 engendered by years of work per cent of the population had taken to buying only home-raised beef since Britain declared people could be at risk from the disease. But only 5 per cent said they had cut down beef construption as a result and otics as growth agents was

forbundet, the farmers' merely 1 per cent said they banned. Salmonella was were banned, the public conmeat marketing organisa-tion. "It was the cold, wet gether."

strong public confidence in by the government and the farming industry to establish consumer-friendly farming practices.

suspected source of the spread of BSE in Britain, was outlawed in 1986. There has never been a recorded case of BSE in Sweden. The country, which berely

exports beef, had to negotiste special concessions from Brussels when it entered the Suropean Union in 1995 in In response to strong public opinion in the 1960s, the order to keep these bans in use of hormones and antibi-



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SPHARRER SOL

Interes.

for Buros'

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Some 146,000 young people local government elections in the state of Lower Saxony.

vote.

Their enfranchisement possibly the world - was approved by the state legislature last year.

By Peter Norman in Bonn

in German history, 16- and

The development has evidence of a surge of of Chancellor Helmut Kohl. provoked mixed feelings, not political awareness among. However, the author of the It is a reform that appears to least among the young, in the state's teenagers and enthuse hardly anyone. But yesterday, for the first time German state.

17-year-olds were allowed the back to the efforts and enthusiam of one man: Mr Marcus Alwes, a 27-year-old under 18 were among 6.2m member of the Young voters entitled to elect a Socialists, the Social total of 31,000 politicians in Democratic party's youth

Mr Alwes persuaded the SPD and Green parties in the state parliament to back the unique in Germany and idea in spite of opinion polls that showed widespread opposition among the general public, little

The reform can be traced state's SPD prime minister. Mr Alwes was encouraged

Under-18s vote in Lower Saxony

Mixed feelings at wider enfranchisement in German state

constant interest in politics more inclined to support the and a further 30 per cent CDU. were occasionally interested. who would support the

However, the author of the . There have the largely rural north indifference on the part of take account of the mood Mr Gerhard Schröder, the swings that are endemic among 16- and 17-year-olds. More recent polls point to a by an academic study which declining interest in politics suggested that 40 per cent of among Germany's youth, 14- to 17-year-olds had a with those who are keen

> Newspaper reports from Perhaps more persuasive in Lower Saxony suggest that Christian Democratic Union concerns of the newly

study apparently failed to complaints from young people of feeling patronised by established political

NEWS: EUROPE

Winning over the young voters has not been easy for the politicians. The Young Socialists . achieved some success with a float in Hanover's "Love Parade" in

The decision of the Greens furthering the project was the difficulties of finding an and the free between the finding that 42 per cent apprenticeship, passing seek vetes by distributing of the age group would vote exams or managing condoms with slogans of the age group would vote than politics on the scale of innuendoes pointed to a less



Three 16-year-olds vote in Hanover yesterday watched by a 15-year-old, right

Island on the front line holds its fire against Turks

Kerin Hope on relations with Ankara in the Aegean as Greeks prepare for election

ishing tourist trade, hold strong views on Greek-Turkish relations. If tensions between the two notional Nato allies ever exploded into war, they fear that their island, six miles off the Turkish coast, would be invaded.

Mr Miltiades Sarris, the mayor, is in his 40s but still has to attend military training every year. A Greek navy patrol boat is moored close to the town hali, an people from smaller islands elegant waterfront mansion built when Symi had grown rich from trading privileges granted by the Ottoman sul-

Concrete bunkers overlook the nearby coves where tourists go swimming.

Mr Sarris says: "Keeping eace in the Aegean should be the politicians' priority. We get along fine with the and we're trying to organise a cross-border conference with our opposite numbers in Daca, the resort across the strait. The problem is that policy is decided in

other places While Greek policy towards Turkey matters more to voters on Symi and the other Dodecanese islands, which are seen as Greece's frontline with Turkey, it is likely to have a broader impact in Greece's general election next Sun-

Mr Costas Simitis, the Socialist prime minister, wants to improve ties with Ankara.

As well as boosting trade, this would allow the government to cut defence spending amounting annually to some 5 per cent of gross domestic product - the highest percentage among EU

The conservative New Democracy party, campaigning on an unashamedly populist platform, takes a tough line towards Turkey. Its leader, Mr Miltiades Evert, claims that Mr Simitis humiliated Greece by accepting US mediation to defuse a stand-off with Turkey in January over the uninha-

bited Imia islets. Though opinion polls indicate that voters care more about economic issues than foreign policy, Mr Simitis's determination to deal with the Turks could cost him

some votes. His coolness reinforces the impression that he lacks the stature of his predecessor. the late Andreas Papandreou, whose anti-Turkish rhetoric could be counted on to rally support for the Panhellenic Socialist Morement

(Pasok). in a joint television interview with Mr Simitis at the weekend. Mr Evert said his handling of the lmia crisis had weakened Greece in its dispute with Turkey about sovereignty over small Aegean islands. Mr Simitis snapped back that, faced with a similar crisis, he would do "exactly the same

However, nationalist feeling towards Turkey runs high, not just among conservatives but also in Pasok's hardline faction. Only a convincing election win would allow Mr Simitis to sack hawkish cabinet members and try to restart bilateral talks with the Turks.

People on Symi, a small Television viewers on Greek island in the Symi, where Pasok usually Aegean with a flour-captures two-thirds of the vote, shrugged off Mr Evert's

attacks. Mr Philemon Alfaras, a civil engineer, said: "Con-frontation is the last thing we need. There's too much money to be made from cooperating with Turkey to boost tourism in this part of the Aegean."

Many eastern Aegean islands saw a wave of emigration after Turkey's 1974 invasion of Cyprus, with moving to Rhodes, the largest centre in the Dodecanese. However, the trend started to reverse after the Socialist governments of the 1980s poured funds into border areas and tourism extended to remote islands.

Symi has done so well out of tourism that its popula-tion has grown by 20 per cent to 2,800 in the past 10 ing as the islanders restore their neo-classical houses for conversion into small hotels or for sale to people from other EU member-states who are now permitted to buy



property in Greece's border

The islanders no longer depend on mainland shipping companies for transpor links: Symi's joint-stock ferry company runs a profitable catamaran service to Rhodes

Its telephone service was nbalaqeq muqer a shecial "crash programme" for Rhodes, funded by the EU.

Mr George Kalodoukas, travel agent who offers visitors a trip up Symi's only mountain to drink champagne and watch the sunset over Turkey, says. "Unlike the big islands, we haven"t seen a decline in tourism, or in the quality of visitors in the past few years. We didn't have any cancellations after

the Imia incident." Yet despite their rising living standards, the islanders criticise the Socialist politicians for delaying projects needed to underpin the tour-

ist trade plans to build a sewage treatment plant, which would be funded by the EU. have been postponed. Water has to be shipped year-round in tanker vessels from Rhodes because of delays in a government drilling pro-

Mrs Katerina Tsavaris. who moved back to Symi with her husband to open a shop selling imported kitchenware, says: "Unlike most small islands, we have two schools filled with small children but we still have to take them to Rhodes to see a pediatrician. Living here, you think much more about practical problems than

German minister talks of more welfare cuts

cent has proved one of the

aged widespread absentee-

By Peter Norman in Bonn

Just two days after winning parliamentary approval for controversial cuts in Germany's social safety net, a cabinet minister warned yesterday of the need for further savings, while trade union leaders said the new law to cut sick pay could lead to strikes. Mr Horst Seehofer, the Ursula Engelen-Kefer, the

health minister, told the Bild am Sonntag newspaper that the measures approved by the lower house of parliament on Friday were a "minimal programme" and that Germany would "have to save much more" in the budget, on taxes and in the refusing to renew existing health and pension insurarrangements that had been ance systems.

In the same newspaper, Ms

deputy leader of the German trade union federation (DGB), and Mr Wolfgang Warburg, deputy head of the public service workers union (oTV), warned of strike action if employers acted to cut sick pay by cancelling or agreed through collective hargaining

most contentious of the mea-sures in the government's "programme for more growth and jobs" that has been going through parliament since April. Although the full replacement of earnings has encour-

when ill than when at work, leaders. The previous generous sick pay rules were won after a bitter industrial dispute in the 1950s and stood as a symbol of union power. Now that the law has changed, many businesses

cut sick pay to 80 per cent of ordinary situation of some will apply the new rules recent earnings from 100 per employees earning more once they come into force in November. the government's action has hit a raw nerve among union further if, as expected, the

government acts to cut unemployment benefits further. Several ministers, including Mr Theo Waigel, the finance minister, hinted debate on the first reading of The newly approved law to ism and led to the extra- have made clear that they the 1997 federal budget.

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President Bill Clinton set out to demonstrate his strength in dealing with President Saddam Hussein of Iraq, and he may make another show of strength in the days to come. But he has succeeded in demonstrating almost exactly the opposite: that US
policy in Iraq is severely
constrained – by international dissent, by Washington's own aversion to risk,

and by regional realities.
US policymakers will continue to declare the victory of their policy of "contain-ing" Mr Saddam. The White House this weekend deployed a battalion of officials to do just that. Their message was clear: US policy is to keep Mr Saddam "in his box", a phrase used by speaker after speaker. For the moment, he is in that that had been achieved by box; and the moves taken by extending the area of the US over the past forting the "no fly zone" south -

But Saddam is kept in his box, writes Patti Waldmeir

will ensure that he stays force over all but three firmly boxed in future.

The White House policy has been questioned harshly. How could Mr Clinton claim to New York, pointed firmly boxed in future.
The White House policy has been questioned harshly. How could Mr Clinton claim containment, when Mr Saddam had in effect conquered the north, undermined the Gulf war coalition mounted against him, and suffered little more than symbolic damage to his air defences in the

Patiently, the administration replied: the goal was to "contain Saddam Hussein, to keep him from threatening his neighbours, to constrain and restrain him, to keep him from moving south" said Mr Warren Christopher. the secretary of state. And southern Iraq over which With allied no-fly zones in

out one administration offi-cial – Mr Saddam's ability to threaten his southern neighbours is severely constrained. "So when Saddam wants to threaten something that's really important to us - like where 20 per cent of our oil come from - we're

going to have lots more

warning time, much greater

flexibility in responding, and

that will strengthen deter-

rence. So, for the moment, the US appears to be satisfied there is no alternative to the policy of the past four years. Asked repeatedly at the weekend whether the US night - specifically, extend- Iraqi aircraft cannot operate. goal was to overthrow Mr direction. They expect Mr

backed away: "It's very diffi-cult to solidify international causing occasional confronopinion behind getting rid of somebody," an official explained.

Western allies do not wish the US to depose Mr Sad-dam; neither do his neigh-bours, who have a far less acute sense of the threat he poses than do policymakers in Washington.

So whatever happens over the next few days, it appears that US Iraq policy is on "hold". More may be done in the direction of deterrence; with perhaps another high-profile attack, as much for domestic political reasons as for any strategic considerations.

But US officials make clear they see no reason for a fundamental change in

causing occasional confron-tations, and they accept this as inevitable. We have to weather this crisis, not let it bother us too much, and stay focused on the purpose of all this: to keep the noose tied around Baghdad," said one

policymaker. That will require diplomatic moves, as much as or more than military ones, to strengthen what US officials describe as the core of their policy, the sanctions against the Iraqi regime.

They accept that lasting damage cannot realistically be done to the Iraqi regime by attacking what one offi-cial described as "rusty Russian SAM [surface-to-air-missile] sites in the south." The focus, in the long term, will be to cement international Saddam, the administration Saddam to continue issuing opposition to Mr Saddam -

the purpose of this week-end's diplomatic shuttle by Mr William Perry, the

lefence secretary. In the short term however, anything is possible, ranging from no action at all to tough strikes against Iraqi targets. Still, having charged to the brink of seemingly immediate confrontation last week, when Mr Perry prom-ised "disproportionate" action against Baghdad,

Washington has now paused. Mrs Madeleine Albright, US ambassador to the UN, put it most clearly: the US would not be pressed into "over-reacting", she said. The administration would watch and wait for further provocation from Mr Saddam and would be guided by his actions. But she added: "It looks as though Saddam Hussein is not going to do anything else." The prospect of immediate confrontation

"What's the use of bombing

military installations in

southern Iraq, when Iraqi

tanks were bombarding us in Arbil?" said one woman.

But Mr Talibani has liter-

ally been here before. In

1977, a year after he had

announced the establishment of the PUK in exile in

Syria, and when Mr Sad-

dam's forces were in total

control of Iraqi Kurdistan,

he arrived in this valley to

regroup and reassemble his

men for another round of

guerrilla warfare for the con-

Today he is doing the

same. The priority is to take

back the countryside and

then the cities. His mobile

radio station has now been

moved through the Iranian

territory to another spot in

It's an important medium

through which messages will

get through to peshmergas

and supporters. "In less than a week, we shall start our

new campaign," Mr Talibani

But seeing Mr Talibani,

experiment with hopes of

For many Kurds the

dream has turned into a

nightmare. Mr Talibani how-

ever sees it as a natural evo-

lation of history of Kurdi-

stan. "It's part of the

struggle. It's not a fratricide

war, it's a fight between

northern Iraq.

trol of Iraqi Kurdistan.

INTERNATIONAL NEWS DIGEST

Brussels to act on cotton

The European Commission is this week expected to announce an anti-dumping action against imports of undyed cotton fabric from six developing countries. unayed cotton labric from six developing confirms.

The action, which will affect £400m of fabric imports, was requested by French and Italian cotton weavers. However, European fabric finishers argue the move will not help weavers but will threaten thousands of jobs in the textile dying, printing and finishing sectors.

The action is expected to be taken against imports from

The action is expected to be taken against imports from India, Pakistan, Indonesia, China, Taiwan and Egypt. These countries account for more than half the

unfinished cotton fabric imports into Europe.

Eurocotton, the trade body that has won a two-year battle for intervention, claims developing country producers were undercutting German, French and Italian veavers by 28-36 per cent.

Africa's problems 'worse'

Results half way through the United Nations' programme for Africa in the 1990s "have fallen far short" of expectations, according to a UN assessment* published

Many of Africa's problems have become even more acute since the New Agenda for the Development of Africa in the 1990s was launched by the UN General Assembly in December 1991, the UN says.

Despite some signs of "tangible progress", including a recent quickening of economic growth rates and the spread of democracy across the continent, Africa continues to be plagued by economic and social wors". in 1995 a dozen African countries achieved the UN target of 6 per cent annual growth in gross domestic

product, and the number of countries with negative growth rates fell from 19 in 1992 to three in 1995. Nevertheless, Africa's population growth of 2.9 per cent outstripped average GDP growth of 2.3 per cent lust year. resulting in a further decline in per capita incomes of 0.6 per cent. The continent's share of world GDP has shrunk to around 2 per cent while its share of world population

rose to some 12 per cent in 1995. Frances Williams, Genera *Mid-term review of the UN New Agenda for the Development of Africa in the 1990s. Africa Recovery, Room S-981, UN, New York 10017, fax (212) 963 4556.

WTO 'secrecy' attacked

An international environmental think-tank has accused the World Trade Organisation of failing to inject environmental concerns into the trade policy debate and of maintaining the same secretive and inefficient working methods as its predecessor, the General Agreement on Tariffs and Trade.

Launching a "progress report" on the WTO's first two years*, Mr David Runnalls of the Canada-based International Institute for Sustainable Development said the WTO had "failed to integrate sustainable development concerns into trade policies and still conducts its business behind closed doors".

The report also criticises the WTO's reluctance to develop links with other bodies, especially non-governmental organisations, and says the WTO's trade and environment committee is set to continue a 24-year "record of futility". Frances
"The World Trade Organisation and sustainable Frances Williams

development: An independent assessment. IISD, 161 Portage Avenue East, 6th Floor, Winnipeg, Canada R3B OY4, fax (204) 958 7710.

Hope for chemicals treaty

Negotiators from 100 countries meet in Nairobi today to hammer out a globally binding treaty which would regulate international trade in some of the world's most hazardous chemicals.

Mr John Whitelaw, of the UN's environmental arm, said he was optimistic that agreement would be reached. although a draft treaty was unlikely to incorporate demands by some countries that it should also serve as an instrument for banning chemicals. The treaty would make legally binding a currently voluntary system which provides importing governments with up-to-date information about a critical list of chemicals, including other countries' chemical bans. Leyla Boulton, London

Moroccan voters back reform

Morocco's plans for a new two-chamber parliament and decentralisation to the regions, hailed by party leaders as a turning-point in the country's political evolution, received overwhelming backing from voters in Friday's referendum.

Official results showed the turnout was almost 83 per cent, with 99.56 per cent of valid ballots in favour of the changes.

Votes against the constitutional reform put forward by King Hassan totalled only 45,000, compared with more

PUK leader clings to the Kurdish dream

Talibani is putting a brave face on defeat by KDP. Kasra Naji spoke to him in a border camp

itting cross-legged as the city of Sulaimaniya. under a walnut tree at the foot of a mountain defeat for his forces, which in Iraqi Kurdistan, just kilo- have been fighting an intermetres from the Iranian bor- mittent war with the KDP der, the leader of the Patriotic Union of Kurdistan, Mr Jalal Talibani, put on a brave face over the military defeats he has suffered from the rival Kurdistan Democratic party.

"In guerrilla warfare you can always win or lose control of the cities. The important thing is to keep your forces. If you lose your forces, then you will lose everything," he said. Judging by the number of wellarmed *pesiunergas* – literally selfless fighters - in the border areas, it seems that he has indeed kep them.

But there was no attempt to hide the truth. "We have lost two battles but not the war," he said referring to the loss, in the last two weeks.

for the past two years. Mr Talibani says his forces were defeated only because of the support by Iraqi forces of the KDP guerrillas on August 31. Iraqi tanks were no match for the Kurdish peshmergas.

"I blame the US and its allies for failing to protect the Kurds as they had promised," he said, referring to the establishment by the western allies of the 36th parallel as a border for a "safe haven" - a de facto border of Iraqi Kurdistan beyond which Iraqi forces would not be allowed to go.

"We informed the Americans that the Iraqi tanks were advancing beyond the 36th parallel threatening to enter Arbil. We received no response. We



KDP fighters (left and right) guard captured PUK fighters yesterday at the local KDP headquarters in Qal'at Dizah

came. I ask you, what happened to the promise of safe

Earlier, he had addressed

to bomb the Iraqi tanks any moment. We waited until four o'clock but no planes hand by aligning himself with President Saddam Hus-

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told his men. "Not only of control of Iraqi Kurdi-stan's capital, Arbil, as well expecting American planes peshmergas. He told them Mr but also the whole of the

paign," he said. There are already reports that even Mr said. Barzani's own men are very But seeing Mr Talibani, angry with his new alliands his men, and tens of thou-"You are not alone," he

with Mr Saddam. sands of refugees in misera-Mr Talibani's men and ble conditions, it is easy to demoralised, however. We wonder whether the situa-

least 50,000 Kurdish men, tion today in northern Iraq women and thildren have is not the bitter proof of the field to the deserts and the failure of the Kurdish experimountain passes of the frant ment of the past six years. Iraq border. They are most after the establishment of the relatives of peshmery. The safe haven in northern or those associated in one Iraq in 1991, the Kurds held way or another with the a successful election for a regional parliament and set They are hungry and up an administration of their thirsty and mostly defence-

Iraqi opposition groups and

parties are with you. We have won the political cam-

less against the blazing sun in the days and the cold at night. The cold has already claimed the lives of several children, according to a doctor at one of the camps set up by the Iranian authori-

providing some tents, blankets and bread. But the supplies are meagre-compared to the scale of the problem. In spite of their misery, there was no bitterness towards Mr Talibani among the refugees. However, there was a great deal of animosity towards the US, which sided with the enemy of the

regional parliament and set own. For once, the Iraqi Kurds were in control of their own destiny and their own affairs. The autonomy that they had fought for so long had been achieved. Kurds in neighbouring Iran and Turkey watched the

The Iranians have been their own. they all blamed for inaction. Kurdish people."

borrow on the international capital markets

Officials familiar with the procedure believe Egypt has taken the initiative to secure a rating because Moody's was in the process of produc-Borrowers awarded unsolicited ratings often complain

their ratings are unduly low. In the US, the Justice Department is investigating this practice after complaints by borrowers that unsolicited ratings had increased their costs.

Analysts from Moody's are

asked two investment houses, EFG Hermes and Goldman Sachs, to act as dvisers. Details are expected before the November diddle East and North Africa economic summit. Whatever the reasons of the timing, observers believe

rating, which could narrow the gap between investors perceptions and the current reality of the country's risk. A government official close to the preparations explained that "six months ago the perception of risk in Egypt was about a Moody's

at Bai". The difference between the two ratings is substantial: a Cas rating implies the debt is "in default", according to the New York Federal Reserve, while a Bal rating is only one step short of "investment grade", which denotes "adequate payment

just below investment grade

Bas2, for example, would allow Egypt to borrow at a cost approximately 1 percentage point higher than ing with Egypt, which has US Treasury bonds. This asked two investment margin would increase to around 2.5 points with a speculative rating of Ba2. Mr Mulham Alwani at HSBC Markets said: "The investor community would accept Egypt as investment grade, but in the cold light of day it is probably just below Egypt stands to gain from a investment grade."

Arabs tie Israel relations with Mideast peace

Arab foreign ministers,

meeting on the sidelines of the 106th session of the Arab League in Cairo at the weekend, have proposed a new course of action to Middle East peace.

reconsider normalising relations with Israel if the new rightwing government in Israel led the peace process down a dead-end street.

posals called on each Arab country that had made engagements with Israel. to review these engagements". The proposals will now be passed on to the Arab heads of state. After a formal Arab

League meeting on Saturday, Mr Yassir Arafat, head of the Palestinian state, said: "There is an attempt

show, to give the impression 4 that there is a tendency from the Israelis to move in the right direction, while on the ground there is nothing concrete in our hands."

Mr Amr Moussa, Egypt's foreign minister, declined to give any details on the proposed new course of action but Arab diplomats said the

economic summit scheduled for November 12 in Cairo. President Hosni Mubarak

of Egypt has already threatened to cancel the economic conference unless the Israell government starts meeting

aside Egypt's threats to cancel the conference. Syria and Lebanon have

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Egypt goes to Moody's for debt rating

By Seen Evers in Cairo and

Egypt has asked Moody's, the US credit rating agency, for a sovereign debt rating only days after finance ministry officials said the country had no need or desire to

ing an unsolicited rating.

in Cairo, working on the rat-

Caa rating... However I think Moody's grade will be

capacity". An investment grade of

than 10m "yes" votes, and in some districts the official result was unanimous

Farouk al-Sharaa, Syria's foreign minister, said yesterday that Arab states had agreed to link relations with Israel and progress in the Middle East Deace process.

respond to what Arabs see as Israeli intransigence on At a summit in June, Arab leaders said they would

A Lebanese official close to the meeting said the pro-

proposal included a boycott of multilateral talks with Israel and other restrictions on negotiations. A decision to slow down multilateral relations between the Arabs and Israel could derail the Middie East and North Africa

its peace commitments. The Israeli prime minister, Mr Benjamin Netanyahu, yesterday brushed

been boycotting the multilateral talks on regional co-operation since the peace process began in 1991.

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Patten firm Japan goes back to the drawing board over HK legislature

Stephens in Hong Kong

Mr Chris Patten, governor of Hong Kong, has issued an 11th-hour warning to Beijing, pledging a tough stance to defend the territory's legislature and claiming China's plans to replace the body threaten a smooth handover next year.

Speaking as China pushed on with preparations for a provisional legislature, Mr Patten said such a body would be "a focus for confu-sion and public discontent". Dismissing speculation of a compromise, in which pro-democracy legislators might be drawn on to the body, he added: "The Chinese know our position. We are not going to negotiate about least bad solutions...we are totally opposed to a provisional legislature."

With Beijing proceeding with preparations to replace the Legislative Council, the issue has emerged as the most serious remaining obstacle to a smooth handover on July 1 next year. It threatens to overshadow progress on bilateral issues. such as an expected agreement on a new container terminal, and to undermine a

British relations. Nominations for a 400member committee which will choose the provisional legislature and the territo-- ry's post-colonial governor closed on Saturday, marking a big step towards establishing the body. Almost 6,000 people put their names forbe decided by the 150-strong Beijing-appointed PreparaChinese officials say the

provisional legislature will deal only with preparatory work ahead of the handover. But members of the existing legislature - elected last year for a four-year term under Mr Patten's political reforms - fear their position will be undermined, while government business would face severe disruption.

Mr Patten dismissed claims of differences with the British government, citing statements by Mr John Major and Mr Malcolm Rif-kind. "What the prime minister and the foreign secretary have said is actually a lot firmer and more explicit than anything I have ever said," said Mr Patten.

Mr Rifkind has said Britain would have a duty to pursue every legal avenue. along with others, available of a breach of the Joint Declaration, the Sino-British treaty governing the hand-

"It is extremely difficult to see how Chinese officials can say the establishment of a provisional legislature before June 30th could be in line with the obligations in the Joint Declaration," said Mr Patten. Mr Patten, however, prom-

ised full co-operation with the chief executive-desig nate, who will head the post 1997 government, and said he favoured a rapid decision on the post. "The sooner, the better...I have always thought that it would be easier to deal with contentious issues when there was ward and membership will somebody in place who was going to have real responsibility from next summer

that Japan, the great industrial innovator, is gripped by fear that it may, by default, have become one of the advanced world's laggards in basic science and technology research.

Policy-makers are worried, however, that Japan's lateness to exploit key technologies, from the information highway to materials science, is a competitive handicap. This is what lies behind the government's recent decision to double publicly funded research and development spending to Y17,000bn (\$155bn) over the next five years.

A parsimonious finance ministry can be expected to chip away at how much money will be spent. Even so, this plan is serious. It was agreed by parliament in July, with cross-party sup-port and the blessing of the Ministry of International Trade and Industry. Detailed preparations for spending the money are under way. The first project to be funded by the new budget is

a brain research centre to open in Saitama, a north-west suburb of Tokyo, early next year, with an annual budget of Y100bn, 100 times more than the Japanese government allocates to this field than at present. It

William Dawkins on a massive increase in research expenditure

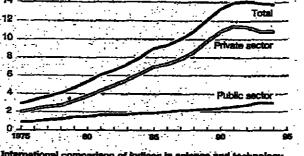
creation of what the government's Science and Technology Agency calls a "super-steel" with double the strength and life of normal steel, and a 10-year plan for

earthquake forecasting. All this is the fruit of a proposal put together last. October by a former Miti official; Mr Koji Omi, now a the ruling Liberal Democratic party, with the backing of the main political parties. It is unusual for Japanese legislation to be prepared by politicians rather than the bureaucracy, a mark of anxiety over Japan's perceived brain

"Parliamentarians share this sense of insecurity over the future. We can no long assume, as we did in the high growth of the 1980s, we are number one in manufacturing technology." says Mr Toshio Ochiai, who as director general of the agency's planning bureau is responsible for getting the plan off the ground. Among the impediments

to innovation which the scheme aims to dismantle, he lists the following: Other projects include the • Companies' growing ernment plays in research

Japan R+D: a case for renewed study Japanese R&D spending (* 加川の)



R&D spending as a % of GDP Screenment 16 steers of PAD spending 21.5 36.1 37.2 Private sector's % share of R&D spending 78.4

focus on short-term survival and development compared at the expense of long-term planning they favoured when they were more confident of holding their position as world beaters. A sudden decline in Japa-nese technological competi-

tiveness in several key sec-• The puny role which govwith the US and Europe. For much of Japan's eco-

nomic growth following the second world war, companies were content to borrow the "seeds" of new technology from foreign competitors, says Mr Ochiai. Trade tensions and the globalisation of these markets have rendered that strategy obsolete. But rather than redoubling basic long-term research to compensate, Japanese companies have been obliged by the yen's strength and the stagnation of their domestic market over the past five years to focus on cutting costs. Corporate R&D led a sudden decline in overall technology spending, the first such post-war fall, just after the economic downturn in 1991.

According to an agency survey last May, carried out by a panel of top Japanese scientists, Japanese companies' basic research has lagged behind the US and Europe over the past five years - measured by the admittedly subjective stanences, materials, oceanography, and most worryingly, elecommunications and electronics.

Another concern is the growing amount of R&D which companies are moving out of Japan, in search of lower costs and proximity to emerging markets.

The answer, the government believes, is for the state to fill the gap left by companies.

On the surface, Japan

vate sector R&D, with 2.8 per cent of gross domestic product in 1994 against 2.4 per cent in the US and France. But the government's share is much lower: a fifth of R&D spending, as against 36 per cent in the US and 46 per cent in France.

The plan would bring state R&D spending closer to rivals' levels. But that only invites the question, admits Mr Ochiai, of whether throwing government money at the problem is sufficient. Failed state technology ven tures in the west - as well as in Japan - suggest that it is

That is why the Japanese plan proposes wholesale of its 640,000 under-performing and underpaid researchers. For example, rather than being given life-time employment contracts. research workers are to be hired from next year merely for the duration of their pro

It all demands a radical break with the state science sector's existing sleepy culture. Then again, the ability to meet commonly agreed objectives is one of the Japashould have little to fear. nese system's great Even after the recent fall in strengths.

N Korea 'may need to join **World Bank**

Editor, in New York

North Korea may need to join the World Bank to finance essential improvements to its electricity grid. according to the head of the international consortium supplying the country with

safe nuclear generators. The new nuclear reactors will not work without modernisation of the grid because they need an assured source of power which North Korea cannot guarantee at present, said Mr Stephen Bosworth, executive director of the Korean Peninsula Development

Organisation (Kedo). To finance the cost they're going to have to change a lot of things," he said. "The most obvious source of finance would be the Asian Development Bank or the World Bank, but they have yet to decide to join one of those."

Kedo, which numbers 13 governments among its obers, was set up after the US reached agreement with North Korea to supply it with safe light water power generation in return for its decision to freeze and Then scrap its previous graphite reactor programme. The agreement was negoti-ated amid fears that spent fuel from the graphite reac-tors could be used to produce weapons-grade pluto-

Mr Bosworth said the cost of the project was likely to exceed original estimates of \$4bn-\$5bn and admitted the year's delay spent negotiating specifications for the new reactors meant it would be "very difficult" to meet the target date of 2003 for

completion. But he said Kedo had now become an operational entity rather than "a figment of someone's imagination". Preliminary work on the reactor site in North Korea was to start within weeks, so contractors would be able to work through the harsh win-

North Korea had pressed Kedo's founding governments - the US. Japan and South Kores - to include modernisation of the grid, but while they agreed it was necessary, they considered it a separate project from provision of the reactors, he

The total cost of grid such a payment in July.

North Korea yesterday said it had clinched \$282m in deals with foreign businesses, Reuter reports from Rajin. The contracts, signed at a three day forum on investment in the Rajin-Sonbong free trade zone, ranged from hotels to motorcycle

North Korea is hoping to create a 750 sq km free trade zone in the north-east. Confirmed deals included a \$180m plan by the Emperor Group of Hong Kong to build a five-star hotel on the coast near Rajin. The group would invest an additional \$30m in a banking venture, a North Korean official said.

improvements was likely to be \$200m-\$300m. This was a large sum for a country as short of foreign exchange as North Korea. It would almost certainly need help from an international development bank.

Otherwise we're going to

finish these reactors and they're going to sit up there, unless they can find some private source of financing. which, under current circumstances, I consider unlikely." Mr Bosworth said. Kedo was still calculating

the total cost of the reactor project and it was not clear how the burden would be shared if it turned out much higher than originally expected, he added. The agreement provides for South Kores, whose Kepco utility is to manage the project, to play a central role and Japan

to play a significant one. These two countries are expected to cover the capital costs as contributions from other members go towards a separate provision to provide North Korea with 500,000 tonnes of heavy fuel oil annually while the reactors are under construction.

The European Union, which sent officials to last week's Kedo annual meeting in New York, had indicated a willingness to make an annual and sustained contribution to Kedo, probably of about Ecul5m (\$19.2m). "This would go a long way towards solving some of our financial problems," Mr Bos-worth said.

There was also improved prospect of the US meeting its full \$25m commitment this year after the Senate voted in favour of Try everything once. Look for the Nokia 9000 Communicator stand at Arlanda, Fornebu, Frankfurt, Heathrow and Kastrup airports. Sept. 16 - Oct. 14, 1996.

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that the level of profits

achieved by the privatised

companies demonstrates

that they were sold too cheaply. It will also fuel sug-

gestions that a Labour gov

windfall tax on profits

ernment should impose a

Mr Alistair Darling, Labour's shadow Treasury chief secretary, said: "The

conclusion [that privatisa-

tion benefited the economy)

is not surprising given the source of the study. We

believe that the windfall tax

Editorial comment, Page 15

has every justification."

rivatisation boost to economy

onomics Correspondent

The privatisation of state enterprises such as British Steel and British Telecommunications has benefited the UK Treasury by between £6.7bn and £11.6bn (\$10.45bn and \$18,09bn) a year over the last 10 years, according to a

report today. The report, which covers 33 UK companies privatised since the early 1980s, was commissioned by the Centre for Policy Studies, a thinktank that supports the ruling Conservative party, How-

ried out by the independent group National Economic arch Associates.

The report argues that in 1980 the state-owned companies were absorbing £483m of government money in the form of subsidies and loan finance. By 1987 they were contributing £8.4bn to the government, and have continued to generate large inflows for the Treasury ever since. The highest, according to the data, was in 1993.

when the inflow was £11.6bn. Part of this reflects the sales of shares in the companies, which have generated ever, the research was car- average annual net proceeds still owe to the government.

of £3.5bn since the 1984-95 financial year. The government has also received annual net receipts from taxation and dividends of between £3.3bn and £5.8bn since 1986-87.

This additional bonus reflects: an increase in corporation tax receipts due to rising profitability, • dividend receipts on the shares that the government

has retained in companies such as BT and Powergen; continued receipts and repayments on the debt these companies

The report cites the 1994 BT privatisation as a particularly successful story: it points out that the company not only yielded more than £13bn in sales proceeds, but has also generated more than £1bn a year in corpora-tion tax, dividends, interest and debt repayments.

British Steel' is also deemed an "extraordinary story": although the company was absorbing state money in the early 1980s, it generated corporation tax proceeds of £208m between 1988 and 1995.

The report's findings are likely to revive charges by

Decade down the track

Budget

Freight: grant budget and actual spending (Sm)

Sterling's rise 'had long-term effect'

and Gillian Tett

The appreciation of sterling in the early 1980s perma-nently damaged the UK's trade performance, new aca-

demic research has found. A report, published by the National Institute of Economic and Social Research today, says that the temporary surge in value of ster-ling between 1979 and 1981 lead to a sharp rise in imports. The increase continued throughout the 1980s even though sterling subsequently weakened, the

report adds. The findings are likely to fuel the debate about the wisdom of the UK becoming locked into a European currency union.

A separate survey of directors of quoted companies published today has found that a majority of UK business leaders believe that joining in European mone tary union would damage the UK's economic health. Nearly six out of ten of the directors surveyed are opposed to monetary union, believing that it would push up unemployment, taxes and

Almost 70 per cent believe that the UK should exercise its opt-out clause and postpone adoption of the single currency beyond its planned start date of 1999. Nearly three-quarters believe that monetary union would be a prelude to political union; even more condemn that prospect

The survey, which was conducted by Hemmington Scott and sponsored by Price Waterhouse, is based on 392 responses to 10,500 questionnaires sent out in July.

However, the results contrast with some earlier surveys, such as a poli of 5,000 companies of all sizes that was conducted in November by the Confederation of British Industry and the British Chambers of Commerce. This showed that business was positive about the benefits of a single currency.

UK NEWS DIGEST

Elderly care insurance urged

The UK should introduce compulsory national insurance to finance future long-term care of the elderly, an independent inquiry by the Joseph Rowatree Foundation rec-

The report proposes initial compulsory insurance cuntributions of about 1.5 per cent of earnings, which would produce more than £3bn (\$4.68bn) a year. Provision of long-term health and personal care under

the inquiry team's proposals would, like NHS hospital care, become free for everyone. But people with the means to do so would meet the costs of accommodation and food in residential homes.

Alon Fix.

■ WORKPLACE STRESS

More managers struggle to cope

Workplace stress has become one of the most dominant concerns of UK managers, the Institute of Management says today.

More than half of a sample of 1,000 managers said increasing demands of work were affecting their health. This compares with 40 per cent of a similar sample when the survey was first carried out in 1993.

Extra workloads meant 84 per cent were working in excess of their official working week. Half the respondents said they took work home.

Every day, about 270,000 people take time off work in the UK because of work-related stress; the annual cost in sick pay, lost production and health service charges is Richard Donkin reported to total £7bn (\$10.92bn).

■ TELECOMMUNICATIONS

Operators 'poorly organised'

The UK's telecommunications operators are poorly organised to benefit from their customers' ambitions to move into "electronic commerce" and will find themselves sidelined by information technology groups, according to the first phase of a long-term research study into multimedia network services sponsored by the Department of Trade and Industry, IBM, HSBC James Capel, Mercury Communications and Global One, the joint venture between Doutsche Telekom and France Télécom.

The study, published today, includes interviews with 73 operators, customers and analysts. There are about 150 licenced operators in the UK including British Telecommunications, Mercury. Energis and the cable companies. and the study is comprehensively damning in its criticism of their capabilities. Alan Cane

■ MOTOR INDUSTRY

Jaguar claims quality victory

Jaguar Cars' Browns Lane factory near Coventry in the Midlands has taken over as the best quality plant in parent Ford's network worldwide, and its cars are now higher quality than those of its German rivels. Jaguar chairman Mr Nick Scheele claims.

Mr Scheele, quoting statistics from the influential US JD Power consumer satisfaction index surveys, said the XK8 is the first all-new Jaguar sports car for 20 years. Jaguar expects the North American market to absorb 60 per cent of XK8 output, with 12,000 cars planned in the first year.

Freight trains slow to deliver the goods

Privatisation has yet to exploit the April 1985 and March 1996.
Many shippers are reluctant full potential of the rail network

ritain's privatised rail network wants to win back freight busing lost to the roads. But attempts to reclaim freight shipments are being bampered by the high level of track access charges, the government's meanness with subsidies, and delays in the privatisation of British Rail's freight operations.

When the break-up of BR and the privatisation of rail assets was launched 21/2 rears ago it was welcomed by hauliers and companies shipping goods as promising a much improved service to industry.

The expansion of the motorway network and the low cost of road haulage had led to a decline in rail's share of total freight transport from 42 per cent in the 1950s to just 7 per cent.

BR had long been criticised for failing to provide a customer-friendly service to freight shippers. Reliability was poor and the calculation of costings often appeared eccentric, while the relatively short distances involved in many UK freight movements meant that rail was not viable.

But while the first signs

services after privatisation. freight is still failing to exploit its full potential.

Negotiations between English Welsh & Scottish Railway (EWS), the USowned company that handies bulk freight shipments, and Railtrack, owner of track and signalling, aimed at creating a cheaper, more flexible track access regime, have become bogged down.

EWS, which was acquired last February by Wisconsin Central Transportation. wants to replace individually negotiated track agreements with a simple tariff. At present EWS cannot respond quickly to customers seeking a quote for rail shipments because it can take Railtrack up to six months to calculate its track

Meanwhile, subsidies intended to promote rail freight are being doled out with such reluctance that they are only having a marginal impact on freight volumes. An investigation by the UK's National Audit Office into the freight facilities grant, which funds freight terminal equipment, found that the Department of Transport had disbursed are beginning to emerge of only £32m (\$50m) out of improvements in passenger £70m available between

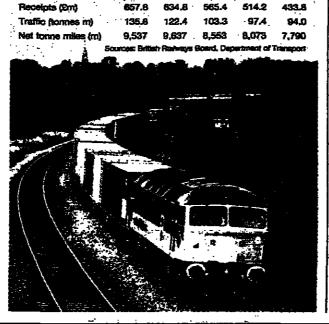
to commit themselves to move specific volumes until they have seen how well rail performs.

A third factor holding back freight volumes is the difficulty the government has had selling off BR's freight businesses. Uncertain about future ownership. some shippers have scheduled consignments by road rather than rail.

Freightliner, which handles domestic container shipments, was twice withdrawn from sale before being finally sold to its management team last May. BR's Trainload Freight bustness, now renamed EWS, was initially broken into three companies but then offered as a single entity. The final part of BR freight, the Railfreight Distribution division, which takes containers through the Channel tunnel, is expected to be pri-

vatised by early next year. The government is keen for freight to shift back to rail and shippers want to broaden their options. While a rapid reversal of the decline that has taken place may be too much to expect. ministers and railway managers are hoping for some sign that privatisation can deliver the goods.

Charles Batchelor



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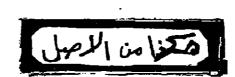


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strategists has a house 200 yards away. Just round the corner lives an international civil servant who used to make a nice income dispensing political advice to foreign candidates.

My block also contains three lawyers, two lobbyists, two journalists, two diplomats, including an ambassador, two independent ington anywhere outside the businessmen and a very senior accountant, all plugged into the capital's main industry. My block sounds disgustingly well-heeled maybe it is - but it is also a microcosm of Washington. When we talk, the subject is more likely to be politics than the price of eggs or even the Redskins foothall team.

But my neighbours are otherwise normal. They have children. work hard, run foreign cars and

A town of tennis, not testosterone

four-wheel-drives, play tennis, drink chardonnay and smoke cigars. We look out for each other and have collectively hired a patrol guard to keep us safer at

The point of this little encomium is that my neighbours, their political connections notwithstanding, really are good ordinary people. Yet the impression reasonably gleaned of Washcity's Beltway is of a den of iniquity, influence peddling and double dealing. Now we have all been tarred with a far worse brush: we are sex-crazed.

It is, naturally, the fault of Dickie Morris. For the benefit of the female US astronaut who has been circling the earth in a Russian spaceship for most of this year, he is the president's political consultant who was forced to quit the campaign for having told

DATELINE

Washington: good, well-heeled people are now depicted as sex-crazed solely

> writes Jurek Martin

because of their

a lady of the night deep White House secrets - including shockers like the content of Al Gore's acceptance speech - while sucking her toes, or possibly vice

She, equally naturally, told all to a tabloid and he, never slow on now known to have wandered, as a book and are still good

greater than hers. Most of Washington thinks he is a sleazebag, apart from Republicans who may not dissent but are eager for any dirt Morris can dish on the Clintons, preferably before election

Morris actually lives in Connecticut, where extra marital sex is doubtless a state industry. Nevertheless, he conducted his political connections, affair at the sedate Jefferson Hotel, just a handful of blocks from the White House itself. This is known as guilt by issociation.

day.

In fact, the first family's residence has known seamy moments. A cheerful new paperback - called Sex Lives of the US Presidents and published (where else?) in Britain - has predictable fun with JFK, LBJ and FDR, all

the uptake, flogged his story to a well as the less easily proved alle- for political one-line quotes. New York publisher for sums far gations about the present occu-

> But it also recalls that Grover Cleveland acknowledged an illegitimate child while president, that Teddy Roosevelt had a condom (Rough Rider) named after him and that Martin Van Buren, though a widower, was considered the great roue of his time (which may explain why there are so few streets named after

him).

There may also be something in the fact that merely being an election campaign consultant Packwood are representative serves as a powerful aphrodisiac. Four years ago, James Carville, from the Clinton camp, and Mary Matalin, who worked for George Bush, conducted a high-profile affair, though such relationships do not normally cross party lines. They have now married, written

Joe Klein, the no longer Anonymous author of Primary Colors, found sex in Jack Stanton's (read Clinton's) staff, though much of it was portrayed, accurately enough, as more the product of

emotional exhaustion than out-

right romance or, heaven forbid,

That pretty much conforms to the realities of contemporary Washington. There have been enough celebrated cases of political careers derailed by sex -Gary Hart, Wilbur Mills and Bob examples - to suggest a contrary conclusion, as might, in his notso-younger days, the notoriety

Kennedy. But most of this town seems more driven by paperwork than testosterone. Single women, and increasingly men, routinely com-

enjoyed by the unsinkable Ted

plain of the lack of available potential partners. The singles bars of Georgetown and Adams Morgan are often more populated by the military out for a weekend's fun from nearby bases, or the peripatetic Eurotrash crowd, than unattached deputy assistant secretaries of commerce or housing looking for relaxation or romance - who are just as likely still to be in their

Perhaps this is why Dickie Morris, who has also confessed to fathering a love child in Texas. decided he had to pay for his sex in Washington. At least he does not appear to have charged that part of his bill to the Clinton

Relationships, including interand intra-sex, may flourish more at office softball games or on public tennis courts, of which my neighbourhood has more than a few. Not, of course, that my very political immediate neighbours would ever dream of thinking of anything other than their top-spun backhands.

The Monday Profile: David Sullivan, Sunday Sport

In search of sex appeal

Britain was safe from headlines such as "World War Two Bomber Found on The Moon" and "My Sex With Space Being?, David Sullivan is planning a revival campaign for his flagging tabloid, Sunday

As the specialist newspaper marked its 10th anniversary yes terday with a front page featur-ing the "UK's Number One Model" and a nipple count for the issue of 127, the multi-millionaire publisher of soft pornography and joint owner of Birmingham City football club promised to bring back Sunday Sport's glory

Circulation is not good, but we are on the way back now. We are going to market the Sport name massively, with T-shirts, cards, posters. We're going to bring more hard news into the paper. I believe the future of publishing is in niche marketing." says Sullivan, who has published 30,000 copies of a copiously illustrated book, 10 years of Sunday Sport, to mark the anniversary.

Sullivan owns 50 per cent of the Sport with his partners David and Ralph Gold, who hold 25 per cent each. He began his business career at the age of 11. buying and selling football programmes. In his time he has owned a range of sex shops and soft pernography-magazines, and still-publishes Parade, the men's magazine. He bought first division Birmingham in 1993 for £700,000 short-term gambles on the stock will be surprised if circulation is and gave it an immediate injection of 2700,000. Although accu-portfolio - estimates the profit mulated losses at the club spe this year will be 26m. He is hopmulated losses at the club ane Cam so far, Sullivan says the ing for from near year and £20m a club's ground was recently vally year within three years.

ued at £10m-£12m. The Sport now publishes every day except Saturday. Since its best days, when the Sunday edition achieved a circulation of 660,000, the slide has been remorseless. Sales of the Sunday title averaged 260,650 in the six months to July, down from 306,467 last year.

But despite the slide the paper is still profitable. Sullivan - who



also breeds race horse market and has a large property

However, Smiday Sport, which retails at 55p, has little conventional advertising. It achieves much of its revenue from advertisements for pornography, sex aids and premium-rate sex chat

The process of revival began yesterday with the printing of an extra 200,000 copies, and Sullivan, who is responsible for a publication that many would not regard

that features a full-size electronic bowling alley and huge indoor swimming pool.

"Sometimes I don't go out for three or four days," says Sul-livan, who surrounds himself with bronze sculptures of race horses and other racing memorabilia. He believes his property empire - which ranges from warehouses at Royston to an office block in Edinburgh - is worth about £100m. But it is the Sport and Birmingham City that give him most pleasure. "I read the Sport every day and eagerly look forward to it. It pops through my letter box with The Sun. That's why I'm good at doing it. I am a tabloid newspaper buyer," he says.

Apart from improving the marketing of the Sport, Sullivan is always looking for that special person or event that will capture the imagination of the Sport's readers – almost exclusively men aged under 30. The biggest draw so far has been Gert Bucket, the 69-stone American women who came to the UK to take off most of her clothes for Sport readers.

Last year's hig draw was the woman who wanted to establish a record by making love to 300 men in 24 hours. Naturally, numerous Sport readers wrote in to participate

Sullivan would like one day to float the Sport, but his past may present a serious barrier. "I have come out of the sex industry so I able figure to the City, although my businesses have always made money," says Sullivan.

Another ambition - but one unlikely to be realised - is to be allowed to run Express Newspapers for a year. "I would love the challenge of reversing its fortunes," he says. He also has another, more personal, hope. After a lifetime surrounded by sex, Sullivan would like to have children within the next few years. "Whether I'm up to it at my age I just don't know," he sayş sadly.

Raymond Snoddy

FT GUIDE TO

Nazi gold

Swiss banks are being accused of holding on to tons of ill-gotten gold deposited with them by the Nazis. How much more are the banks hiding? Private bankers estimate that more than \$2,000bn is held by wealthy individuals in offshore bank accounts and other financial investments outside their home country. How much of that is legiti-

mate is anyone's guess. You mean some offshore bank accounts are legiti-

Sure. Many customers have perfectly good reasons for holding their money outside their home country - expatriate businesspeople, for instance. Since tax rates around the world have generally come down from the punitive levels of the 1970s, most now even declare their income to the tax inspector. But not all ...

Police and finance ministry officials estimate that between \$300bn and \$1,000bn which has its origins in crime is laundered every year, though numbers in this area are pretty much a matter of guesswork. Much of it goes through offshore

Is Switzerland the biggest haven?

By no means. George Moscarino, a fraud specialist with the US law firm Jones Day Reavis & Pogue, estimates that money launderers use 125 countries. Police say they can hardly be expected not to raise their eyebrows at countries like the Cayman Islands, with 33,000 inhabitants and \$460bn in bank deposits. Even bankers in rival centres admit Swiss controls are generally tight. Swiss private bankers live on their reputation and therefore have to be choosy about their clients.

But I thought Swiss bank secrecy was legendary? Business confidentiality is one of the basics of banking anywhere in the world, but the Swiss banks have certainly made an art out of secrecy. They have traditionally argued that a banker's relationship with his customer is privileged in the same way as a doctor's or lawyer's. Back in the 18th century. Geneva bankers used to cross the letters to clients in France to They still sometimes meet customers in airport is that all?

In 1934, Switzerland enshrined the principle of bank secrecy in law. Ironically, given the present row about Nazi gold, one of the main purposes of the law was to protect Jews who had shipped their money out of Germany - an offence punishable by death. Many other countries, including the UK and US, also have bank secrecy laws, though few will send anyone to jail for making unauthorised disclosures.

How safe are Swiss bank accounts from prying eyes? Switzerland, in common with most other countries, now co-operates with criminal investiga-

tions from overseas. And banks are explicitly exempted from normal bank secrecy rules if they pass on suspicions of money laundering to prosecutors. In fact, some bankers say Switzerland has been losing shady customers ever since the Philip-pine government managed to win back some of the millions President Ferdinand Marcos had

stashed in the country. Sounds good in theory. What's the catch?
Foreign governments' main complaint is that Switzerland doesn't recognise tax evasion as a criminal offence, so won't co-operate on tax inves-

tigations. Finance ministry officials in some countries also want Swiss bankers to be required, rather than just permitted, to report their suspicions of money laundering. What about numbered accounts?

The Swiss numbered account is partly mythical. Like bank accounts anywhere else in the world Swiss accounts have numbers: and as in most other countries, Swiss bankers have to know the name of the customer. But the name is usually known only to senior officers. Junior employee handle the account by number without seeing the

Where can I get a real numbered account then? Austria still has anonymous savings accounts, much to the fury of the European Union, even though they are limited to Sch200,000 (£12,214). Turkey also has anonymous accounts. International sleuths also dislike Liechtenstein, where banks can open accounts for a holding company with a lawyer or fiduciary as front man, without knowing who is the ultimate customer. Is anyone doing anything about this?

The 1989 economic summit set up a group called the Financial Action Task Force, which now has 28 members. It acts as a sort of support group, with a set of 40 recommendations on the kind of money laundering laws members should put in place. As a minimum, the task force recommends that laundering the proceeds of drug trafficking should be made a criminal offence.

sk force have avoid alerting the revolutionary government. Its condemnation earlier this year was enough to persuade the Seychelles to back off at least partly from a law intended to encourage inward investment, which everyone else saw as an open invitation to money launderers. And the Offshore Group of of Banking Supervisors, with members such as the Caymans, Bermuda and Jersey, has committed itself to implementing the task force's recommendations.

So all the offshore havens are closing down? Dream on. Banking centres recognise that it is bad for business to be labelled as "dirty", but they also know that secrecy is a great marketing tool. Even the Rocky Mountain state of Montana has been thinking of launching numbered accounts, though the US federal government may have something to say about that.

Robert Chote • Economics Notebook

Stable prices a recession away

The consequences of pushing inflation lower are poorly understood

It has been argued that the US is only one recession away from achieving price stability. But

with opinion polls showing that for 10 years now very few US voters have thought that inflation is a serious problem, it scens unlikely that many people would wish to pay that price. With the annual rate of price nucreuses now running at below 3 per cent in 18 of the 27 member countries of the Organisation for Economic Co-operation and Development, the costs and benefits of travelling the extra mile

to price stability are now being

debated by policymakers across the industrialised world. What would be the benefits of pushing inflation lower? In theory it should help make the economy work more efficiently. When the average level of prices is stable, this makes it easier for individuals and businesses to detect when the prices of particular goods, services and production inputs change relative to each other. The clearer these price signals are in a market economy, the more likely it is

that producers will produce what consumers want to consume. A world in which companies are confident of interpreting price signals currectly is likely to he one in which they are encouraged to maintain employment at high levels and to invest in capital equipment, innovation and product development. It should therefore be one in which eco-

nomic growth is maximised. Although numerous studies have confirmed that inflation innedes growth when it is high, rapid or unexpected, there is lit-

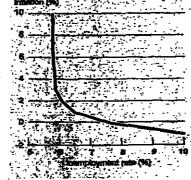
tle evidence that cutting infla-tion from the levels seen at present in industrialised countries will improve long-term growth prospects. Michael Sarel at the International Monetary Fund calculates that economic growth rates are maximised at an inflation rate of about 8 per cent. Understandably, these studies

are not popular with central banks. They argue that countries should pursue price stability, although statistical problems mean that may equal measured inflation of about 2 per cent. The central banks have found an ally in Martin Feldstein, pres-

ident of the National Bureau for Economic Research. He has calculated that there are big benefits to be gained from moving to price stability in the US, because it would reduce the extent to which the tax system discourages saving and overpromotes investment in housing. Feldstein calculates that cut-

ting inflation by 2 percentage points - say from 8 to 1 per cent would raise the level of national output permanently by 1 percentage point. He argues that the cost of reducing inflation by this amount, by raising interest rates and squeezing economic activity, would be a oneoff loss of 5 per cent of national output - which could therefore be recouped in five years.

Given the duration of the electoral cycle in the US and most other industrial countries, it is not clear that politicians operate on a sufficiently long time-scale to accept that trade-off. But there is a more fundamental problem. Feldstein implicitly Less inflation, more unemployment US long-run unemployment/intetion trade-off



not soon back up to 400,000. "We

have all the ingredients of the old

seaside postcard upgraded to 1996

crude. That is what the Sport is

all about," says 47-year old Sul-

livan, who graduated in econom-

ics from London University's

He was talking in the enor-

mous office of his £7m Neo-Geor-

gian mansion, Birch Hall in

Essex, dressed in casual clothes

and Birmingham City carpet slip-

pers. Sullivan runs all his busi-

ness activities from the home

Queen Mary College.

the fat ladies, the vulgar humour, the outrageous, the

. 10

assumes that the economy will return to its original trend growth path after bearing the one-off output loss. However, part of this output loss may become permanent because of reduced investment and erosion of capital stock, especially if the economy were to be squeezed abruptly. That would eat into the output gain from lower infla-

Another assault on the case for price stability has been launched by George Akerlof, William Dickens and George Perry, in a Brookings Institution paper which was the talk of the Kansas City Federal Reserve symposium in Jackson Hole, Wyoming, last month. They dispute the central theoretical tenet on which orthodox monetary policy has been based in recent years: that there is a unique "natural" rate of unemployment at which infla- resources occasionally requires tion is stable, and that at other

Proportion of firms. tion is zero. 02 · · THE PARTY OF THE PARTY. - 2

AND ALL PROPERTY. 33 THE PARTY OF THE P

rates of unemployment inflation will fall or rise without limit. Akerlof et al argue instead that at low rates of inflation there is probably a long-run trade-off between inflation and unemployment like that shown in the graphic. They argue, for example, that reducing US inflation to zero would permanently raise unemployment from its current natural rate of about 5.8

per cent to about 7.6 per cent. "Maintenance of zero inflation measurably increases the sustainable unemployment rate and correspondingly reduces the level of output," they say.

The rationale that Akerlof et al rely upon is the familiar idea that employers find it difficult to cut wages in cash terms, because it is seen as unfair and damaging to morale. The cuts in real wages which the efficient allocation of can therefore be achieved more ratchet it down another notch.

easily when inflation is positive For example, it is easier to raise wages by 3 per cent when inflation is 4 per cent to than to cut wages by 1 per cent when infla-

In their simulation exercise, Akerlof et al conclude that with inflation at 3 per cent, only one business in 20 would find itself unable to achieve a necessary. real wage adjustment because it could not cut wages in cash terms. At zero inflation this proportion would rise to one-inthree. These businesses would in éffect face cost increases which they would try to pass on to their customers, putting upward pressure on unemployment. The advocates of price stabil-

ity at Jackson Hole argued that people got used to zero inflation, these concerns would eventually disappear. Maybe so, but judging by the sluggishness with which people's expectations of inflation have responded to its recent decline, that could take a generation. And, as the output costs of reducing inflation arise when actual inflation is lower than expected, it may prove enormously costly to go through that transition.

Against this background, it is unlikely that many central banks will enjoy the political support to embark on the transition to price stability deliberately. Ironically, history suggests that price stability is perhaps most likely to come about if inflation is first allowed to get "out of control" again, thereby prompting a misjudged monetary policy overkill which might

Good-bye Battery



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Selko Kinetic at: http://www.selko-corp.co.jp

MANAGEMENT

Managers face a difficult task when differentiating between mere eccentricity and stressed-out behaviour in the workplace, reports Richard Donkin

A bit of an odd fish

tress in the workplace has become one of the greatest concerns of managers, according to a report published today by the Institute of Management*. Over a quarter of a million people take time off work every day because of work-related stress; the annual cost in sick pay, lost production and health service charges is reported to total £7bn.

The IM found that unreasonable deadlines, working excessive hours and at weekends, having to implement redundancies and dealing with bullying, intimidation and office politics are all tak-

ing their toll In recent days there have been suggestions that Peter Young. one of Morgan Grenfell Asset Management's top fund managers, had been suffering from stress. The company's German parent, Deutsche Bank, was forced to pump more than £180m into three funds as a result of Young's speculative investments.

As the extent of his activities became apparent, colleagues talked of what had been Young's increasingly eccentric behaviour - his designs for a rocket launcher and the development of a model to mimic the burrowing of termites. His wife told of him sitting in the dark with his children, with the lights off and the curtains closed, and his obsession with buying large quantities of food. Young was said to have returned from one shopping expedition with 30 jars of pickled

The problem for managers is weeding out what might be termed the "gherkin factor" from the other types of eccentric behaviour that are so prevalent in society. How much eccentricity should be tolerated in companies? What type is healthy and productive and what forms of behaviour might indicate that an employee has become damag-

The first step is to identify the true eccentric. David Weeks, a clinical neuropsychologist at Edinburgh Royal Infirmary, has co-authored a book on eccentrics after studying them for 10 years.** He says they do display identifiable traits that may be apparent in a job interview or on

Look at the candidate's hobbies and interests, says Weeks. While there may be nothing in the least odd about stamp collecting, a passion for certain types of stamps or a 20-year-search for some long-lost first-day cover

eccentricity. A high degree of intellectual curiosity is common in eccentrics: they suddenly light up in a conversation and become visibly enthusiastic about a particular topic. They will often be academically gifted but job selectors should look for evidence of a chequered educational background.



is common, says Weeks. An eccentric student might suddenly ditch computer studies and switch to an arts subject, for example, only later to switch back to computers.

Eccentrics are not team players. They do not care very much what other people think of them and are not the sort of people who try to keep up with the

Some mystical, spiritual, though not necessarily religious, bent may be displayed, and eccentrics tend to be optimistic about the future. Once the eccentric has been

identified, the next step is to addition to the company. Sometimes a near-obsessive interest people exhibit is not a bad thing may be of great benefit to the to have in small doses in an organisation. Weeks writes of a organisation, but I'm not sure the man called Alan Fairweather who has devoted his life to the is probably a good description." potato. He studies it, knows just about every way to cook it and can expound on virtually every

weather has found the perfect job fit. He is a potato inspector for the Ministry of Agriculture, Fisheries and Food in Scotland.

But many employers would shy away from eccentrics. Jeff Grout. managing director of Robert Half and Accountemps, who reads thousands of CVs, mainly covering the accountancy industry, says: "What a lot of people are looking for in CVs is an ability to fit into a team environment. A lot of our client companies are looking for evidence of outside work activities operating on a social level - team sports, amateur dramatics."

Gill Carrick, a headhunter at GKR be a welcome and productive says: "The anarchic rebellious streak that some more creative word is eccentric - 'off the wall' Many prominent business leaders, including Richard Branson,

Rodney East, the former group managing director of Etam, did not have an office and lugged his Sir Terence Conran and Anita files around in a shopping bag. Chopping and changing courses variety known to man. Fair- Roddick, are characterised by an He would also pick up rubbish in holson. £17.99.

the street - a worthy, but

unusual, practice. The US has had its fair share of business eccentrics. James Gordon Bennett, the newspaper baron, used to enjoy pulling the tablecloths from the tables of fellow diners in restaurants and then pay for the damage he d. The exclamation "Gordon Rennett!" is said to have originated from his behaviour.

The greatest problem for manents is determining what is simply eccentricity and what are from pressure of work. Crain Newnes, a clinical psychologist who runs a staff consulting service in Shropshire, identifies the

following warning signs: a decline in quality of work:

 absenteeism or lateness; regular personal emergencies psychosomatic illnesses such as headaches and stomach

 use of alcohol while at work; persistent failure to do simple things like paperwork; making destructive comments

or acting in a withdrawn manner

 consistently denigrating colleagues;

 active sabotage. This list is not necessarily helpful when it comes to identifying manic behaviour, says Newnes "In such cases an individual might behave in quite the opposite way. He or she might take on more work rather than less work. They might be sitting at the desk all day long and staying late," he says. Close colleagues will usu-ally be the first to spot if some-

thing is wrong, he adds. Cary Cooper, head of organisational psychology at University of Manchester's Institute of Management and Technology, agrees,

"People should be aware of colleagues displaying any change of behaviour, such as increased aggression or withdrawal. Any manager who sees something out of the ordinary should refer the employee to the company's employee assistance programme if it has one installed. These programmes, which supply employee counselling services, can be effective at helping someone cope with their problem and persuading them to seek help," says

The Institute of Management concurs. "Stress tolerance and the ability to work under pressure are often cited as prerequisites in job advertisements. It is now time for the business community to abandon the and encourage greater co-operation and support," concludes its

*Are Managers under Stress? Institute of Management 0171 497 0580. £25 to IM members, £50 to

**Eccentrics by David Weeks and Jamie James, Weidenfeld & Nic-



Planner and dynamo: Peter Warrener and Danielle Stewart

PARTNERS

Warrener Stewart

Peter Warrener, 46, started his own accountancy firm. in 1983. Five years later. Danielle Stewart, 34, joined him to form Warrener Stewart, They employ seven accountants and have an annual turnover of £600,000. Danielle was poted Yauna Accountant of the Year in 1994.



Danielle: "Peter is my mentor. He's the wise one, the old bull. Whereas I'm always reacting and getting

frightfully excited about today, Peter thinks about tomorrow. He's the forward planner, the cept man, I'm the dynamo and the doer. I'm also the technical whize of the two. He's more of a new business creator.

He says it's easier for him to say what a wonderful partner he has than for me to sell myself in that role. In many ways he's like my manager.
Although he tellawter one I'm
the superstill Peter is the best
all-round business accountant I've met. He's certainly more spensive per hour than I am. His forte is contract work, acquisitions and mergers. In many ways he's like a corporate lawyer. He's very Sagittarien in that he has an innate understanding of how people tick. If you combine that with his financial acumen, it nakes him a powerful player in

the boardroom. He's definitely got a flair for business. In the early days we'd scream at each other, but time is so precious new we don't waste it arguing. In a personal make you question whether you want to go on together, yet there is something more permanent about a husiness relationship. Splitting up is never an option, so we resolve our differences and

compromise. Sometimes I feel very grateful that he gave me a break. At other times, I think

he was a jammy git for spotting me. I don't just have total respect for him, I like him

Peter: "I had it in my mind to make Danielle a partner long before she knew about it. I'd met her as a 19-year-old student and could see that she was bright. She started with a gift for financial accounting, which has turned into a talent for auditing. She has incredible enthusiasm for finding the right answer and never gives

up until she's got there. When she joined the firm she ran into a bit of prejudice, which had more to do with her age than the fact that she was a woman. The moment they realised how clever she was. the prejudice disappeared. You never have to tell Danielle anything twice.

She's certainly not your typical accountant. She represents a modern breed of accountants who, in time, will change the traditional stuffy image. She surprises a lot of people, not just by the way she looks but by her intellect. I've encouraged her involvement with the Institute of Chartered Accountants because her contribution to the profession. and the way it's heading, is

Danielle will definitely be nembered for the way she thinks. So often reople form partnerships for purely commercial reasons and it rarely works out. We've been lucky in that we have respect for each other. Without respect, no partnership can stand the

Even though I'm older, I find, increasingly, that people refer to me as Danielle Stewart's partner. I'm happy about that. She associates herself with quality and doing the right thing, which is the image we want for the firm."

Fiona Lafferty

Crumbs from the tables of power

unconventional or individualistic

approach. There would be those

who would consider Warren

Buffett eccentric because he pre-

fers to wear cheap suits, likes to

eat hamburgers, drink cherry

Some thought the approach of

Jean-Marie Descarpentries, when

chief executive of CarnaudMetal-

box, somewhat off-beam, particu-

larly when he led a group of 29

senior executives into the Jorda-

nian desert for a brainstorming

be unconventional when he

headed ITT. On visits to the

European head office in Brussels,

to New York time, the only time

European-based executives

that Geneen would acknowledge.

became accustomed to calls from

ings tended to be Geneen-free.

Geneen late into the night. Morn-

Harold Geneen was known to

Coke and live in Omaha.

and bonding session.

BB's is oval-shaped and made of cherry-wood. IRI's is mahogany and covered in calfskin. Nestle's has got a glass centre.

I have become something of an authority on boardroom tables after being given an interesting little volume called The Table of Power. Created by Jacqueline Hassink, a Dutch artist, it is a photographic record of the boardrooms of the 40 largest companies in Europe. Or rather it is a record of 21 of these as the remaining 19 would not let her in, claiming it would be in breach of their security rules.

One might have expected the volume to be of interest only to those with a fetish about top-of-the-range office furniture. However page after page of photographs of rooms with enormous shiny tables and leather swivel

chairs tell a story about corporate power and how directors see

While each of the rooms has its own style and colour scheme, the similarities are more remarkable than the differences. All the boardrooms are strikingly impersonal but they all quietly assert their power. Most are at the top of the building, with panoramic views. Almost all have expensive custom-made tables and leather and chrome chairs. The rooms all waste plenty of space. Only Ciba Geigy has an ordinary table that it picked from a normal catalogue, and chairs covered in the same sort of fabric that I am sitting on now.

The rooms suggest that less may have changed in the boardroom in the last few years than we are led to believe. Boards have shrunk, and we are told



Lucy Kellaway

they have become less hierarchical and less inclined to stand on ceremony. However the rooms, which range from the 1950s to the present day, show less marked changes. Admittedly the newer tables are slightly smaller and more likely to be oval or U-shaped (ICI favours this design so that everyone can see the slide shows). The chairs may be less far apart than before and the chairman may not have a specially reserved place. But other-

wise the trappings of power are identical. The aura remains the same. This is where the masters of the universe sit - a me odds with today's egalitarian, delayered company.

"Dear George, I had a great idea last night. Thought we might join forces and help Danka become the largest independent provider of office-imaging products in the

world!...George, what do you think? Sincerely, Dan." "Dear Dan, Let's make it happen! Sincerely, George."

And with those punchy, spon-taneous letters, a deal was born between Kodak and Danka. We know about this correspondence between the two companies' CEOs because they went to the expense of reproducing both letters last week in full-page advertisements in the UK press.

They could have saved their money. Cynical British readers know that deals do not happen in this way - instead acquisitions are made by painful (and costly) hour upon hour of nit-picking by lawyers and corporate financiers. Neither do we need our corporate deals to be dolled up to resemble business blockbusters. We just want to know if the deal is a good one, and to be assured that the

companies have done their due

diligence. The same day the newspapers carried their own version of the story: Kodak had been getting increasingly desperate to sell its copier business, and this deal leaves it with a book loss of \$250m and part of the business still on its hands.

I have only surfed the Internet once, and on that occasion I nearly drowned in a sea of information of negligible interest to anyone. Since then I gather the level of garbage has risen still

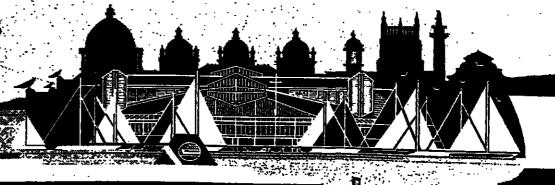
Last week Huggies put out an urgent press release to tell the world that nappies are now on the Internet. On the Huggles site you can get all your questions from.

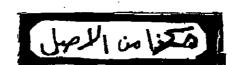
72 hours! It strikes me that anyone practical enough to be able to get onto the Internet can also work out how to change a nappy; if not, they will not be able to wait 72 hours in order to find out. The site also offers entertainment: if you click on the baby's nose you can read a nursery rhyme. So keen are Huggies to take advantage of this brand new medium with its low marginal costs they are surely missing something: it is the nappy users who generally like nursery rhymes, and most of them are a touch too young to surf. And as for the poor, harassed mothers, if they are clicking anything it is their tongues as they drag round the supermarket wishing that there were not quite so many different kinds of napples to choose

about napples answered within

HULL - a city that means business









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COMPANIES & MARKETS

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INTERNATIONAL TRUCK MANUFACTURER

Monday September 16 1996

BAe will not lift Airbus stake

By Michael Skapinker, Aerospace Correspondent

British Aerospace will not press for an increase in its 20 per cent stake in Airbus Industrie even though its assets could prove to be worth relatively more than those of its European part-

Instead, the UK company will press for other ways to safeguard its interests in Airbus, which announced plans to become a limited company earlier this year, abandoning its status as a

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Groupement d'Intérêt Economique (GIE), a non-profit making entity under French

As a GIE, profits or losses accrue to Airbus's partners rather than to the consorthum itself. Industry observers say that BAe bas accepted that any increase in its Airbus stake would be politically unacceptable in Germany and, particularly,

in France.
Among the alternatives to be explored include the possibility that BAe might receive relatively higher owns 4.2 per cent.

long tragicomic extrava-

The main event was the rejection by Mr Arnold Rif-

kin, a top film talent broker,

of the job in charge of the

Japanese group's Columbia

TriStar Motion Pictures.

Despite being courted to replace Mr Mark Canton,

ousted on Friday, Mr Rifkin

elected to stay with the Wil-

This unhappy saga may

also take a new turn with a

at the top of Sony's US

The ending could be a pub-

lic share offering in a

restored Hollywood power-

house, a partnership, or a

slow retreat into the sunset

for Mr Nobuyuki Idei, presi-

Mr Idei has shown no

inclination to share control

with a more experienced

entertainment group or to

quit film. With more than

six years to run on his con-

tract, he sees correcting the

dislocated integration of the

group's electronic hardware

and showbusiness software

lenge".
"What we need to do is

introduce a modern manage-

ment system to Hollywood,

he said. "Now it is a star-

driven operation. You need

star management, star pro-

ducers, star directors; star

everything," in such an envi-

ronment, he added, there

was nothing to break the

Cost escalation has been

the hallmark of Sony's Hol-

such as Francis Ford Cop-

pola, the director best

Menaged fund service 28-90

London recent issues London share service .

Money markets

MAN Roland

New int bond issues

operating costs spiral.

dent of Sony group.

realignment of management

operations in New York.

liam Morris agency.

the weekend.

does for Airbus. Airbus has said the process of conversion into a company will take three years and its executives are drawing up pro forma accounts. One of the most important

questions is whether the new company should take over the Airbus manufactur-ing facilities of its owners: Aérospatiale of France and Daimler-Benz Aerospace (Dasa) of German which each own 37.9 per cent: BAe: and Casa of Spain which

argue that Airbus should not those companies with more take over the manufacturing valuable facilities would facilities. Instead, it should design aircraft and award contracts to the lowest-cost manufacturers, whether they are Airbus shareholders

ries to be left in the hands of their existing owners and avoid changes in the four companies' shareholdings.

By contrast, if Airbus were to take over the manufacture ing facilities these would need to be valued. Some Air-

This would allow the facto-

Aérospatiale executives bus executives believe that have to be compensated by an increase in their shareholding.

Although none of the partners know the precise value of each other's Airbus facilities, many in the con-sortium assume BAe factories are worth more than those of Aérospatiale and Dasa because the UK company has undergone the most extensive restructur-

Software rivals face anniversary of first salvo

By Louise Kehoe and Tom Foremski in Sen Francisco and Paul Taylor in London

Two of the biggest names in software are today poised to clash again over the future of personal computing.

Organisers of an industry forum in Paris are billing the confrontation between Microsoft's Mr Bill Gates and Oracle's Mr Larry Ellison as the "battle of the bil-lionaires".

It is one year since Mr Ellison, chairman and chief executive of Oracle, declared that "the personal computer is a ridiculous device", as he began his campaign to promote simpler, lower-cost "Network Computers" (NCs), which he predicted would soon outsell personal computers (PCs).

At this year's European IT Forum, organised by the market research group International Data Corp, Mr Ellison is expected to demonstrate early production models of the NC and describe trials at several telephone companies and banks. He expects these companies to offer free NCs to customers who sign up for Internet services.

He is likely to have a few choice words for rival Microsoft. Lately, Mr Ellison has been charging that Microsoft is moving in entirely the "wrong direction" with its increasingly sophisticated PC software: "Microsoft is making the PC more complex. We're trying to go in the totally opposite direc-

tion," he said last week. Mr Gates, chairman and chief executive of Microsoft. who has responded scathingly to Mr Ellison, is also scheduled to speak at the forum today. He can be expected to present a broader view of software for the Internet and corporate networks, while continuing to defend the PC.

Mr Gates will perhaps point out that Mr Ellison has vet to identify a single customer for his NC and most of the manufacturers that have endorsed the NC have yet to

deliver products. To date only three large computer companies have delivered NCs: IBM, Wyse Technology and Boundless (formerly Sun River Observer, Page 15



Ellison: 'opposite direction'

Systems). All are aiming their products at the corporate market.

These companies view the NC as a replacement for "dumb terminals", the computer terminals typically used to access mainframe computer systems. There are more than 35m such terminals in use worldwide. according to IBM, They lack the easy-to-use "point and click" interface of today's PCs and have limited functionality.

The NC offers the modern graphical interface of a PC and is essentially a "closed box". Applications programs and data are stored on central servers, making them easier and less expensive to control.

Mr Ellison's vision is of "ubiquitous" NCs in homes. schools, airports and hotels. "NCs will be everywhere," he has predicted. "NC sales will reach 100m units by the year 2000." To achieve such figures, the NC will have to become a popular consumer product but its mass market appeal has yet to be proven.

It will be another six to 12 months before the NC takes off as a consumer product, says Mr Jerry Baker, president of Network Computer, a subsidiary of Oracle created to develop software for NCs. Acorn, the UK-based com-

puter and multimedia group controlled by Olivetti of Italy, has already announced a NC dubbed the NetStation. Designed to plug into a television and provide access to the Internet, the book-sized NetStation is due to go on sale on October 11 in the US and Europe.

Lonrho

Lonrho is understood to have received about 15 serious approaches, largely from North America, for all or part of its Princess-Metropole hotel business, after suspending plans for a flotation. Page 18

Eurotunnel

Refinancing talks between Eurotunnel and its banks face several obstacles in spite of the claim last week by the operator of the Channel tunnel to be "eight hours of negotiations" away from a solution. Page 18

Buffett/Salomon

The relationship between investment bank Salomon and its board member and largest sbarebolder Mr Waltren Buffett is set to change. As well as converting some of his preferred shares in Salomon Inc into common stock, which the bank presented as a vote of confidence, also announced that he might divest part of his 18 per cent stake in the company by issuing exchangeable

Fund Management

The financial scandal at Morgan Grenfell Asset Management has hit some nerves in the German investment industry, which last week sought to reassure investors about the safety of their funds. So far there has been no sign of panic, no evidence of mass withdrawals or a flight into cash. But there scandal may have reinforced lingering prejudices about the dangers of equity investments by a largely risk-averse German public. Page 18

Global Investor

This is the year when American workers were meant to start exercising their power again. Things, out the way they might. Page 21

Hoechst may sell chemicals stake

By Daniel Green in London

Hoechst, Europe's biggest chemicals company, could sell a minority stake of its chemicals business as part of a broader reorganisation of the group, a senior board member said last week. Hoechst, which will turn itself into a "strategic holding company", intends to run its core chemicals division as a separate business to increase its attractiveness to investors.

Earlier this year Hoechst said it intended to make a separate entity of Hoechst Marion Roussel (HMR), its pharmaceuticals business. The group's agriculture business, Agrevo, is already effectively autonomous being a joint venture with

German rival Schering. Hoechst has been under pressure from the financial community over its relatively low share price. Ana lysts point out that its shares trade on a lower price-to-sales ratio than most of its competitors in the chemicals and pharmacenticals industries.

Mr Utz-Helmuth Felcht. main board member, said Hoechst had "to respond to the demands of the capital markets".

Mr Feicht said the group still has to take a decision about which organisational model it will adopt, but intends to place its chemicals business on the same footing as its drugs and agriculture operations. It did not want to become "a chemicals company with some other interests", he

Hoechst intended to remain in majority control of all these businesses but mûependence might mean a separate listing for any of three companies - Hoechst has already said that it could seek a listing for HMR next year. But the group intends to remain in majority control of all thee busi-

This suggests that any spin-off would be along the lines of the relationship between Rhône-Poulenc Rorer, the quoted US drugs company, and French chemicals company Rhône-Poulenc, which owns most of its shares,

STATISTICS

Company meetings Dividend payments

Foreign exchanges ...

Airbus industria

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COMPANIES IN THIS ISSUE

Japanese group may be about to shake up its film unit

The plot of Sony's Adventures in Holly-wood, a seven-year-transports transports star to fulfil dream ganza, took another twist at



If the face doesn't fit: (clockwise from top) Jim Carrey's 'The Cable Guy' attracted dire reviews; Demi Moore's 'Striptease' went largely unnoticed; while Sony is scouting for a replacement to Mark Canton, the man responsible for choosing the films that Sony releases

known for The Godfather sequence, and actress Michelle Pfeiffer, have severed their links. Senior executives, including the market-ing chief of Sony Pictures Entertainment, which covers movies and television, and the head of the TriStar studio have absconded or been pushed out.

lywood tenure since day one with the \$5bn package that Last weekend it was the bought Columbia Pictures turn of Mr Canton, the man responsible for choosing the from Coca-Cola and the services of an eccentric man-20-plus films released each agement duo, Mr Peter vear. Mr Canton's signing last year of a \$20m contract Guber and Mr Jon Peters. Their era fizzled out in for Jim Carrey to star in The September 1994 with the Cable Guy restored Sony's reputation - established departure of Mr Guber after a sequence of costly film with its overpayment for Columbia - as a leading flors. Sony attempted to source of film industry infladraw a line under that phase a month later when, report-

Released this summer to ing a \$510m quarterly operatdire reviews, the film has so ing loss, it admitted overpaying for the studio and far made a modest profit, but announced a \$2.7bn write-off. its failure to top \$100m in gross US revenues marked Mr Michael Schulhof, president of the group's US Sony out as the only big stuoperations and engineer of dio not to have at least one blockbuster to ease the pain its successful purchase of CBS Records, went in of a tough season for all Hollywood. Striptease, Sony's December last year, and the sequence of flops and undervaunted vehicle for Demi performing films continued. Moore (paid \$12.5m) roused minimal audiences. The Fran Fearful of being associated with a \$50m-plus budget and with failure, leading lights

Wesley Snipes, is labouring regarded as the most powerin the ratings.

Ranked by share of box office takings. Sony is sixth out of seven leading studios this year. Only the lame duck, MGM which has released just 16 films compared with Columbia Tri-Star's 25, has fared worse.

n an industry usually renowned for its short memory, one or two big hits could restore the spring to Sony's step and help it draw back quality film-making talent, but Mr Idei is

looking for a more reliable and longer-lasting solution. The plan by Mr Alan Levine, SPE president, to bring in Mr Rifkin would have gone part of the way to meeting Mr Idei's goals. Despite Mr Idel's apparent aversion to the "star tality, close links with celebrities are considered essen-

tial for a studio's prosperity. While movies bursting with special effects have tended to do well at the box office, the star vehicle is still considered the most reliable route to profits. Walt Disney, for example, last year filled its president's office with Mr Michael Ovitz, founder of the

ful man in Hollywood. Mr Ron Meyer, his colleague, took a similar job at MCA. But massaging talent is only one of the skills Sony needs: bridge-building is also

in demand.

SPE's spending habits and salary structure, extravagant even by Hollywood standards, are out of line with the norm at Sony Corp's New York headquarters and in its consumer electronics and music divisions which make the money

to pay the movie bills. From the start of its Hollywood adventure Sony's softly-softly attitude has reflected its awareness of the gap between Japanese and US corporate styles, Now Mr Idei appears to be bracing himself to come to grips with the abyss between the business cultures of New York and Los Angeles.

Mr Canton's replacement should be one step, but more depends on finding a bridge builder to fill the vacancy left by the departed Mr Schulhof in the Sony Corp president's office.

> Christopher **Parkes**

0



MINORCO

Compañía Minera Doña Inés de Collahuasi SCM

a company owned by Falconbridge Limited, Minorco

and a consortium comprising Mitsui & Co., Nippon Mining & Metals Co. and Mitsui Mining & Smelting Co.

US\$1,020 million of project financing for the development of the Collahuasi copper mine in Chile comprising

US\$500 million commercial bank facility Lead Banks/Underwriters

CIBC (Technol Ign)

Co-Agents

Credit Lyunnuis

Citicorp muse and North Juricus Synthesius (pros) Union Bank of Switzerland

ANZ Benk Benk of Montres Bank of Nove Scorie Bank of Toyko-Mitsubishi nque Nationale de Peris Baverische Vernindent UZW Munice Pinance

ABN AMRO Bank

Dresdner Bank

Credit Surse Dai-John Mangari Bani Deutsche Bank For Hank he Hypotheken und Wechsel Ba nai Bank ni japaa ING Bank

Lead Managers

Sanwa Bank Societe Generale numu Bank ut Canadi Transco Dominior Bank Nomera Bank International

KB Financial Services

Royal Bank of Canada Royal Bank of Santland

Austen Firs Bank

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KFW Kradkanstnik

US\$170 million financing facility consisting of a US\$150 million import finance facility and a US\$20 million export credit facility

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Export Development Corporation US\$150 million export credit facility



Mitsui & Co, US\$200 million customer finance facility

Financial adviser Rothschild Natural Resources LLC.

A Property

higher in some countries." West Merchant's price index for the market surged 163.18 by the London close. and has risen by 4.8 per cent

since the end of August. The recent rise in oil prices and an improvement in the economic prospects of many countries have helped increase investor confidence in emerging markets. The yields on Brady bonds

average spreads over US bonds falling by nearly three quarters of a percentage point in just two weeks. Spreads on Brady bonds issued by Venezuela, which favourable view about the recently agreed an IMF supported economic adjustment programme, have fallen by nearly 1% percentage points - over the same period. Russia has also benefited

on the secondary market ris ing by nearly 10 per cent so far this month. News on Frion Friday past its record to day that the government was close to an agreement with its commercial bank creditors grouped in the so-called London Club,

> Brady bond prices reached their previous high in January 1994, before rises in US interest rates triggered a

starring "sure-fire" attractions Robert De Niro and Creative Artists Agency, and Brady bonds poised to make further advances

By Richard Lapper and Samer Iskander in London

make further gains after prices rose to an all-time high last week. A rise in US Treasury bond nrices helped Bradys - lesued in exchange for distressed commercial debt since 1990 - on Friday, but the strong performance of the \$140bn-plus market also reflects an improvement in the creditworthiness of have fallen sharply, with many Latin American and eastern European econo-

"The market has been driven relentiesely upwards as investors take a more risks in emerging markets," said Mr Peter West, economic adviser at West Merchant Bank in London. This has got momentum behind it. There is obviously a limit from the trend, with its dol-

buoyed investor confidence, Analysts argue that the

strength of Bradys reflects a shift in investor attitudes, with increasing numbers of US institutions prepared to commit long-term money to the market. Ms Ingrid (versen, debt strategist at UBS. said: "Non-dedicated money is coming into the market and as the market becomes less and less junk-like mutual funds and insurance companies are big buyers."

World stock mkt indices. Brady bonds are poised to

Accountancy firms in photo-finish | Calming investor

By Jim Kelly, Accountancy Correspondent

Coopers & Lybrand, the accountancy firm, announced gross fee income for 1995-96 of £701m. up 6 per cent on the previous year, setting the stage for a photofinish at the top of the UK fee income table with Ander-

Coopers, which currently holds the leadership of the Big Six firms by revenue. performed well, but it is understood that Andersen which includes both Arthur

Lonrho is understood to

have received about 15 seri-

ous approaches for all or

part of its Princess-Metro-

pole hotel business, after

suspending plans for a flota-

Interest in the 10-strong

chain of Princess resort

hotels in the Caribbean, the

US and Mexico originates

largely from North America.

five Metropole conference

botels in Britain is concen-

trated among UK hoteliers,

but interest has also been

expressed by buyers from

south-east Asia and conti-

Potential buyers for the

Consulting - is heading for double-digit growth.

The 1995-96 year will be chaotic for financial reporting among the Big Six because of fundamental changes: co-ordinated publication of results has been abandoned, and Andersen's results are due to be announced in mid-October.

The last comparable results, for 1994-95, were hased on net earnings. Coopers came top with £575m. followed by Andersen on £539.5m. Coopers' net earn-

US interest in Lonrho

Advisers to Longho's board

are increasingly confident

that a trade sale, possibly

involving separate sales of Princess and Metropole, will

raise more than the planned

Plans to issue a pathfinder

prospectus were halted on

September 6 amid signs that

the flotation was unlikely to

raise the £700m plus Lonrho

had been hoping to achieve.

the first step in a three-way

break up Lonrho planned by

Mr Dieter Bock, the compa-

ny's chief executive. He

wants the proceeds to help

repay debts of £700m-£800.

Freed from interest pay-

ments, the mining and Afri-

Disposal of the hotels is

Princess hotel chain

flotation.

achieves just 10 per cent, it

KPMG, the only other Big Six firm to report so far this year, recorded gross revenues of £588m for 1995, an increase of 6.8 per cent. It, and some other Big Six firms, are also understood to be running at double-digit growth this calendar year.

The traditional reporting season for the Big Six has been disrupted by KPMG's decision to incorporate its audit business, leading to

can trading group would return to positive cash flow.

September 30 whether to re-

start the flotation process.

For that reason, the com-

pany will seek to close a deal

with prospective trade buy-

Analysts expect the Prin-

cess Chain to fetch at least

6350m PTT Sheraton Hilton

Hotels Corporation, Marriott

International and Renais-

sance hotels, the Ohio-based

chain, have all been men-

Metropole is expected to

fetch between £300m-£350m.

Prospective bidders include

Stakis, Jarvis Hotels and

tioned as possible buyers.

ers within a fortnight.

Mr Bock must decide by

Andersen and Andersen ings in 1995-96 grew 8 per the publication of plc-style attempt to find some defence Consulting – is heading for cent to £619m. If Andersen results. Ernst & Young has to rising litigation costs. Mr promised to follow suit even if it seeks off-shore registration as a limited liability partnership on Jersey.

Mr Peter Smith. Coopers chairman, said: "We are actively reviewing the position to determine whether incorporation or the establishment of a limited liability partnership would provide us with a more appropriate operating struc-

The Big Six are considering structural changes in an

to rising litigation costs. Mr Smith said it would be "some time" before Coopers made a decision.

Fees from traditional assurance services - such as audit - gained 7 per cent to £239m, while business recovery and insolvency work dropped from £65m to £58m in line with the recovery. Corporate finance rose 12 per cent to £72m, and management consulting 10 per cent to £187m. Taxation and human resource advice rose by a modest 6 per cent.

Eurotunnel talks face obstacles

By Geoff Dyer

Eurotunnel's refinancing talks with its banks face several key obstacles in spite of its claim last week to be 'eight hours of negotiations" away from a solution.

Although the "architecture" of the package, as Sir Alastair Morton, co-chairman, calls it, has been clear for several months, the all-important prices of the constituent parts have still to be established.

The deal is expected to involve an immediate debt for equity swap, and the refinancing of part, of the group's £8.8bn debt through convertible bond issue.

However, negotiators say no single issue is holding up the talks since each part of the package is inter-change-

Analysts estimate that the group, which is accumulating interest charges at about 2650m a year, needs to reduce its debt burden by between 23bn and 25bn. Although the exact propor-

tion of the initial debt-for-equity swap is yet to be fixed, it will almost certainly be iust below 50 per cent. At Friday's closing price

this would mean swapping about £1bn of debt, although this could rise up to £1.5bn if the company was successful at negotiating up the issue price for the shares, which have a current par value of around 165p.

The convertible bond, which is expected to be in the order of £2bn, and could involve two or more tranches of securities being issued, could lead to the banks eventually owning about 75 per cent of the

The pricing of the convert ibles is one of the thorniest of the issues surrounding the talks and depends in part on the maturities of the different tranches.

However, the company is believed to be pushing for a conversion price well above 265p, the level at which shares were issued in the 1994 rights issue. Negotiators say it is

increasingly unlikely that one of the tranches of bonds will be securitised against a part of the group's revenues such as the income from the railways.

The convertible bonds are likely to be redeemable by the company if its revenues reach agreed levels over the next few years, so one of the crucial elements of the package for shareholders will be how strict the revenue tar-Bankers agree with Sir

Alastair that agreement is At the end of September, the mandate of the two court-appointed mediators, which has already been extended twice, runs out.

Young, the MGAM trader Morgan Grenfell Asset Management (MGAM) has hit suspended after the discovery of large losses at threefunds, probably could not have pulled off his tricks in Germany, because Germanbased investment companies do not give employees the

> with a hitherto unknown phenomenon the rogue

> greed and willingness to take uncontrolled risks. German investors, by con-

trast, are traditionally risk-

averse. The same is true of

the country's bankers. German banks generally do not offer their domestic staff the

are not merely seeking to

tors, but also to make the

case for Germany as a safe haven in an otherwise dan-

As Germany's second larg-

est investment management

group with almost 2m indi-

vidual investors and

DM48.5bn under manage-

calm down nervous inves-

to take greater risks.

gerous world.

nerves after MG

Wolfgang Münchau on anxieties in Germany

Financial advisers across same room for manoeuvre. They rely more on teamthe country reported back to work, "where the group their headquarters that primembers control each other vate clients were extremely concerned about the breakand limit the scope of uncondown of control procedures trolled individual action". according to Mr Passow at MGAM, and wondered The comment is an indiwhether the same could hap-

rect reflection of an increaspen in Germany. So far there has been no ingly critical attitude in Germany about the City of sign of panic, no evidence of London and especially about mass withdrawals or a flight profit-related incentive into cash. But there is concern that the scandal may structures, which can result have reinforced lingering prejudices about the dangers LUND of equity investments by a largely risk-averse German public.

MANAGEMENT After the affair became public, Deutsche Bank immediately wrote to the in multi-million dollar salary 18,000 German investors in the MG European Capital packages.

Recent financial scandals: Growth Fund that the bank including the case of Mr had neutralised the risk and Nick Lesson, have con-fronted the German public the investments were safe.

some raw nerves in the Ger-

man investment industry.

which last week embarked

on a counter-offensive to

reassure investors about the

safety of their funds.

The Berlin-based Federal Supervisory. Office for the Credit Industry stepped in to ask 12 investment companies to produce inventories of their investments to see whether funds exceeded the legal limit of 10 per cent for unquoted paper. Since most funds generally do not come anywhere near the limit, the investigation was widely. seen as an exercise in calming nerves.

kind of profit related bonuses which induce them Deutsche Investment It is against this back-ground that DIT and others Trust the investment management arm of Dresdner Bank, also felt the need to reassure its investors. Mr Rolf Passow, head of DIT, said he was "concerned about the potential damage to the image for the entire investment sector and the ensuing loss in confidence", claiming DIT's own internal control procedures were rigorons "even though there

exists no complete security

against criminal energy".

The financial scandal at . DiT suggests that Mr Peter on low incomes, who are saving to build up a small portfolio with the help of a federal scheme of tax credits.

For many Germans, equity saving is a relatively new development, given the public's traditional preference for federal government or other public-sector bonds. A scandal as part of which German investors would lose money would almost invariably have a severe impact on confidence. This case is not

in the same league. Mr Passow said that Germany's regulatory environment was "probably the best in the world". Apart from the strict external controls. the funds also provided a series of internal controls.

The policy of DIT and other German investment companies is to have separate teams taking the decision to buy and trade.

DIT says it runs a separate department responsible for performance supervision, charged with daily monitoring of the type of investments, their performance and their compliance with strategic goals and legal requirements. A customary compliance officer supervises employees' private trader or banker, driven by investment activities, and additional safeguards prevent fund managers buying stocks in an illiquid market.

Deutsche Gesellschaft für Wertpapiersparen, Deutsche Bank's own German-based investment management company, and the largest in Germany, also insisted publicly that its own control and private investor funds were subject to particularly virulent control procedures.

Deutsche Bank's move to shield investors in the three MG funds from losses, and the fund companies' public reassurances, appear to have succeeded in limiting the overall damage for the time being. It is now up to Deutsche Bank to pursuade investors that the new conment. DIT also counts trol procedures it will install among its clients employees at MGAM are working.

(

54.

Initially, four industry units will be established: telecommunications, insur-

Restructuring at CGS

By Paul Taylor

Cap Gemini Sogeti, the European computer software and services group, will today announce a significant

reorganisation. compete more effectively annual revenue. with US-based rivals. Electronic Data Systems and

The reorganisation is designed to transform the group from a series of geographic businesses into one based on trans-national operations built around

ance, pharmaceuticals and travel and tourism, which account for about 20 per cent This is aimed at helping it of CGS's \$4.2bn (£2.7bn)

> The Paris-based group. which has been assembled mainly through acquisitions, will also announce a rebranding of most of its operations, which employ 23,000, under the Gemini name. The one exception will be the Gemini consult-

ing business, which employs about 2,000 and will continue

to trade under its own name. CGS is attempting to re-position itself and compete more directly with EDS and IBM, the industry leaders, whose computer services operations are about three times the size.

While CGS is probably the largest European computer systems integrator and computer services group, it is still a distant third behind the two US groups, both of which are growing at twice the market rate.

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denominated "Global Bond Portfolio". The investment policy will be amended so as to permit investments in debt securities of investment grade quality with an average maturity exceeding three years and in securities denominated in currencies other than the United States Dollar. However, until the 16th October 1996 the management of the securities portfolio will be made within guidelines which are fully compatible with the previous

As from the 16th September 1996 the existing shares of classes A-1 and B of Alliance Worldwide Income Fund are redenominated into Shares of classes Alliance Global Investments-Global Bond Portfolio AX and Alliance Global Investments-Global Bond Portfolio BX and will continue to be evidenced by the former share certificates, save that such certificates may be exchanged at any time against new certificates. If shareholders wish to exchange their share certificates, then the existing certificates of Alliance Worldwide Income Fund should be sent to Alliance International Fund Services S.A. at 35. Boulevard Prince Henri, 1724 Luxembourg. Following the 16th September 1996 no further shares of class AX and BX of the Alliance Global Investments - Global Bond Portfolio will be issued.

investment policy described in the Management Regulations of

Alliance Capital (Luxembourg) S.A.

société anonyme

35, Boulevard Prince Henri, 1724 Luxembourg R.C. Luxembourg B 34 405

To the Shareholders of

ALLIANCE WORLDWIDE INCOME FUND

(Fonds commun de placement)

Decision of amalgamation

Alliance Capital (Luxembourg) S.A. in its capacity as Management

Company of Alliance Worldwide Income Fund and of Alliance

Global Investments, with the consent of Brown Brothers Harriman

(Luxembourg) S.A. as Custodian of both funds, has resolved to

ncorporate Alliance Worldwide Income Fund as an additional

Portfolio within Alliance Global Investments, a mutual fund (fonds

commun de placement) established as an "umbrella fund" under the

laws of Luxembourg and managed by Alliance Capital

(Luxembourg) S.A. in accordance with the Management Regulations

Following this incorporation of Alliance Worldwide Income Fund

within Alliance Global Investments, which will become effective on

16th September 1996, the then former Alliance Worldwide Income

Fund will form the new Portfolio of Alliance Global Investments

which are available upon request to existing shareholders.

The entire declaration of amalgamation and the description of the amended investments policy are published in the Luxembourg Memorial, Recueil des Sociétés et Associations of 10th September 1996. Such documents and the management regulations of Alliance nts, as well as the offering memorandum describing Global investme the Alliance Global investments - Global Bond Fund and the classes of shares available in the future are mailed to shareholders upon

Luxembourg, 5th September 1996

September 16, 1996

Alliance Worldwide Income Fund.

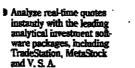
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For information, call 44 + 171 626 6101



Following the DIVIDEND DECLARATION by Ford Motor Company (U.S.) on 11 July, 1996 NOTICE is now given that the following DISTRIBUTION will become payable on or after 16 September, 1996.

Gross Distribution per unit Less 15% USA Withholding Tax 1.92500 Centa 0.28875 Cents 1.63825 Cents

Converted at \$1.575

Claims should be lodged with the DEPOSITARY; National Westminster Bank PLC, Basement, Juno Court, 24 Prescot Street, London E1 8BB on special forms obtainable from

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the reverse of the certificate, All other claimants must complete the special form and

present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted. Dated 16 September, 1996

L1 legrand

The Board of Directors, chaired by Mr. François Grappotte, reviewed consolidated results for the first half of 1996.

10.01 1770.				•
Consolidated figures (millions of FF)	lsi holi 1994	1st holf 1995	Tet helf 1996	1996/199
Sales	5,274	5,518	5,785	+48%
Net income	392	468	453	~ 3.2 %
NL-1	BAK	. 019	DOE .	19%

At constant structure and exchange rates, net sales rose 1.7% in the first half of 1996, with business outside France up 4.4% and French domestic sales down 1.8%.

Legrand strengthened its positions in Latin America with the acquisition of Luminex, Colombia's leading producer of electrical fillings. Luminex reports sales of nearly US\$ 40 million in Colombia, Brazil and Mexico.

FINANCIAL INFORMATION: Tel.: (33.1) 49 72 53 03

U.S. \$400,000,000



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And secured by a supproximated deposit with Banco Santander, S.A.

(Incorporated in Spain with limited lability)

Notice is hereby given, that for the Interest Period from September 16, 1996 to December 16, 1996 the Notes will carry an Interest Rate of 6.5875% per annum. The amount of interest payable on December 16, 1996 will be U.S. \$4,162.93 per U.S. \$250,000 principal amount of Notes.

By: The Chase Manhattan Bank London, Agent Bank

September 16, 1996

CHASE

U.S. \$150,000,000

Bank of Ireland

Undated Floating Rate Primary Capital Notes

In accordance with the provisions of the Notes, notice is hereby given that for the three month interest Period from September 16, 1996 to December 16, 1996 the Notes will carry an interest Rate of 5.875% per amum. The interest payable on the relevant interest payment date, December 16, 1996 will be U.S. \$148.51 per U.S. \$10,000 principal amount.

By: The Chase Manhattan Bank London, Agent Bank

September 16, 1996

CHASE

European Investment

IIL 1.000,000,000,000 Floating rate notes due March 1998 The notes will bear inverest

at 8.1375% per annum from 16 September 1996 to 16 December 1996, Interest payable on 16 December 1996 will amount to ITL 102,849 per ITL 5,000,000 note and ITL 1,028,490 per ITL 50,000,000 Agent: Morgan Guaranty Trust Company

JPMorgan

The Financial Times plans to publish a Survey on of Business Schools on Thursday, October 3 1996 For further information

please contact Karl Loynton on Tel: +44 (71) 873 4874 fax: +44 (71) 873 3064

NOTICE TO NOTEROLDERS

ACINDAR Industria Argentina de Aceros S.A. (incorporated in Argentina with limited liability)

US\$ 150,000,000 Floating Rate Notes due 1998 (the 1998 Notes 7) issued under its US\$ 200,000,000

Euro Medium Term Note Programme ACINDAR Industria Argentina de Aceros S.A. (the "bauce") does hereby give notice that Holdens of 1998 Notes (the "Noteholders") have the right, on not less than 30 nor more than 60 days notice and subject to the amended Teros and Conditions of the 1998 Notes, to require the Laster to redeem 1998 Notes held by them on the interest payment date falling in November 1996 at 01.434 per cent. of the principal amount of the 1998 Notes redeemed. (the "Programme")

Fiduciary Issue by Kredietbenk S.A. Luxembourgeoise to fund a loan to be made by it to

ISVEIMER Istituto per lo Sviluppo Economico dell'Italia Meridionale

Italian Lire 150,000,000,000

Floating Rate Notes due 1997 in accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from September 16, 1996 to December 16, 1996 the Notes will carry an Inter-

est Rate of 8.9375% per annum. The Interest Amount payable on the relevant interest Payment Date, December 16, 1996 will be ITL 112,960 per ITL 5,000,000 principal amount of Note and ITL 2,259,201 per ITL 100,000,000 prencipal amount of Note.

The Agent Bank Kredietbank S.A. Luxembourgeolse



Christiania Bank og Kreditkasse U.S.\$250,000,000

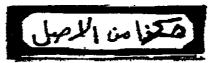
Floating Rate Subordinated Notes Due 2001 Notice is hereby given that the Rate of Interest has been fixed at 5.8125% and that the interest payable on the relevant Interest Payment Date March 17, 1997, against Coupon No. 21 in respect of US\$10,000 naminal of the Notes will be US\$293.85 and in respect of US\$250,000 naminal of the Notes will be US\$7,346.25.

September 16, 1996, London By: Calback, N.A. (Corporate Agesty & Trust), Agent Bank CITIBANKS



U.S.\$400,000,000 PRIMARY CAPITAL UNDATED FLOATING RATE NOTES

Notice is hereby given that the Rate of interest has been fixed at 5.875% and that the interest payable on the relevant interest Payment Date. December 16, 1996, in respect of US\$5,000 nominal of the Notes will be US\$74.25 and in respect of US\$100,000 nominal of the Notes will be US\$1,485.07. September 16, 1996, Landon By: Celbrank, N.A., (Corporate Agency & Trust), Agent Bank CTTBANCO



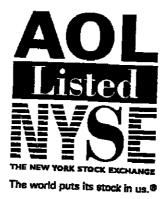
FINANCIAL TIMES MONDAY SEPTEMBER 16 100

After thoroughly exploring the NYSE's technology, the wizards at America Online had just one thing to say.

Cool.

The people at America Online found the New York Stock Exchange's technology very impressive. The people at the New York Stock Exchange found America Online to be incredibly savvy business people with some very innovative global plans. So they got together. And thus, today, a partnership between the online community and the global investment community is born. Creating a new world of opportunities for everyone to "log on" to.

For information on many of the companies listed on the New York Stock Exchange, visit our new AOL online area at Keyword: NYSE or visit the NYSE's Website at http://www.nyse.com.



Strong growth in sales and income



m millions of French trancs	First half 1996	First half 1995 Pro forms	Full year 1995 Pro forma
Net sales	898	296	1,093
ЕВПОА*	325	128	195
Net income (loss)	132	40	(509)

Sales for the first half stood at FF 898 million. The sharp increase is primarily due to the consolidation of Renn Productions and AMLF in movie production and distribution, as well as Pathé Holland in movie theaters.

Earnings before interest, taxes, depreciation and amortization totaled FF 325 million. Pathé's three business segments (television, movie production and distribution and movie theaters) contributed to this highly satisfactory performance.

Via its 17% interest in BSkyB and 20% interest in Canalsatellite, Pathé is participating in the spectacular development of satellite Pay-TV. As at June 30, 1996, BSkyB had 5.5 million subscribers. In September 1996, Canalsatellite's digital package, launched four months earlier, had a total of 100,000 subscribers.

*EBITDA: earnings before interest, taxes and amortization. EBITDA of partnerships corresponds to Pathé's share in net earnings before amortization of goodwill and

RICHEMONT

COMPAGNIE FINANCIERE RICHEMONT AG, ZUG, SWITZERLAND RICHEMONT SA, LUXEMBOURG

The annual general meetings of Compagnie Financière Richemont AG, Zug, and Richemont SA, Luxembourg, which were held on 12 September 1996 have resolved that the following dividend be paid to holders of Richemont units:

Gross dividend per unit In respect of

Tuesday, 1 October 1996 Сопрол No. 40

The dividend will be paid to unitholders by Richemont SA and represents a dividend of 10.67%, including the preference dividend, on the amount of the reserve established in respect of the participation certificates issued by that company. The dividend is payable free of charges and without deduction of

Coupons may be presented for payment at any branch of the following banks: Union Bank of Switzerland

Bank J. Vontobel & Co. AG Pictet & Cie

Darier, Hentsch & Cie Anlage- und Kreditbank AKB

16 September 1996

Compagnie Financière Richemont AG 6300 Zug, Switzerland

Richemont SA Luxembourg

FIDELITY WORLD FUND Société d'Investissement à Capital Variable (Sicav) Kansallis House, Place de l'Etoile, B.P. 2174, L-1021 Luxembourg RC B 9497

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Fidelity World Fund, a société d'investissement à capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, Kansallis House, Place de l'Etoile, Luxembourg, at 11.00 a.m. on September 24, 1996, specifically, but without limitation, for the following purposes:

- Presentation of the Report of the Board of Directors.
- Presentation of the Report of the Auditor.

 Approval of the balance sheet and income statement for the fiscal year ended May 31, 1996.

 Discharge of the Board of Directors and the Auditor.
- Discharge of the Board of Directors and the Anditor.
 Election of six (6) Directors, specifically the re-election of Messrs. Edward C. Johnson 3rd, Barry R.J. Bateman, Charles T.M. Collis, Charles A. Fraser, Jean Hamilius and Helmert Frans van den Hoven, being all of the present Directors.
 Election of the Auditor, specifically the election of Coopers & Lybrand, Linxembourg.
 Declaration of a cash dividend in respect of the fiscal year ended May 31, 1996, and authorisation of the Board of Directors to declare further dividends in respect of fiscal year 1996 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
 Consideration of such other business as may properly come before the meeting.

Approval of items I through 3 of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with a minimum number of shares present or represhares present or represented at the meetir sented in order for a quorum to be present.

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3 %) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by proxy. Dated: August 1996 By Order of the Board of Directors



NACIONAL FINANCIERA, S.N.C., Trust Division as trustee of the Nafin Finance Trust (a trust under the lows of Mexico)

US\$200,000,000 Guaranteed Floating Rate Notes due 1997 NACIONAL FINANCIERA, S.N.C.
Notice is hereby given that the Rote of Interest has been fixed at 8.1.56.25% and that the interest payable on the relevant Interest Payment date December 16, 1996 against Coupon No. 16 in respect of US\$10,000 originally issued face amount of the notes will be US\$9.70.

CREBONK, N.A., (Corporate Agency & Trust), Agent Bonk CITIBANCO

CITICORP DM300,000,000

Notice is hereby given that the Rate of Interest for the Interest Period September 16, 1996 to December 16, 1996 has been fixed of 3.375% and that the interest payable on the relevant Interest Payment Date December 16, 1996, against Coupon No. 3 will be DMS.33 in respect of DM1,000 nominal of the Notes and will be DMS.5.30 in respect of DM10,000 nominal of the Notes. Cifibank, N.A. Kurporate Agency & Trastl, Agent Bonk CITIBANG

US\$100,000,000 ubordinated Collared Floating Rate Depositary Receipts due 2003 issued by The Law Debenture Trust

Corporation pic epidencing entitlement to payment of principal and interest on osits with Banco di Napoli Hong Kong Branch The receipts will bear in at 6.125% per annum from 16 September 1996 to 17 March 1997. Interest payable on 17 March 1997 will amount to

US\$30.97 per US\$1,000, US\$309.65 per US\$10.000 and US\$3,096.53 per US\$100,000 Agent: Morgan Guaranty Trust Company

JPMorgan

COMPANIES AND FINANCE

Vitro forced to sell loss-hit US glass unit

By Leslie Crawford in Mexico City

One of Mexico's boldest foreign corporate ventures has ended in failure, with Vitro, the world's third-largest glass manufacturer, announcing it had reached a non-binding letter of intent to sell its lossmaking US subsidiary, Anchor Glass.

The move prompted Anchor Glass to file for protection against creditors under Chapter 11 of the US bankruptcy code, a move designed to ensure its continued operation pending completion of the sale.

Ball-Foster Glass, the second-biggest glassmaker in the US, owned by France's to acquire the assets of the company for \$365m in cash.

plus the assun tain liabilities. Anchor Glass has debts of about \$900m, according to Vitro's consolidated finan-

Vitro, which has withdrawn financial support for Anchor Glass, says it has not guaranteed any of Anchor's debt. so US creditors will not be able to make any claims on Vitro. The US unit has arranged

Congress Financial Corp to meet its liquidity needs until completion of the sale. Because the takeover will Anchor Glass said that merge the second and thirdlargest glassmakers in the US, the operation may still

be subject to regulatory Saint-Gobain, had signed a approval. Under Chapter 11 non-binding letter of intent rules, Anchor Glass must also seek court approval for the sale of assets.

for about one-third of Vitro's annual sales of \$3bn, but operating losses over the past two years had forced Vitro to inject \$140m to keep its US subsidiary afloat.

in 1989, when Vitro bought Anchor Glass for about \$1bn, the move was heralded as a piece of Mexican corporate bravado. The image of a Mexican

company buying a US rival was tremendously power-ful." said Mr Shane McGuire, a \$130m credit line from Foothill Capital Corp and an analyst at Deutsche Morgan Grenfell

Then reality set in. The glass industry in the US declined faster than expected, and fierce competition compressed operating margins to no more than 2 or 3 per cent."

Last year, Anchor Glass incurred a \$65.9m loss on

Buffett starts work on Salomon escape tunnel

By Tracy Corrigan in New York

The relationship between investment bank Salomon and its board member and largest shareholder Mr Warren Buffett is set to change.

Last Thursday, Mr Buffett announced he would convert some of his preferred shares in Salomon Inc into common stock. Salomon sought to present the news as a vote of confidence in the investment; he declined the same opportunity a year ago, even though the stock was already at a small premium to the conversion price. But he also announced that he might divest part of his 18 per cent stake in the company by issuing exchange-

able notes. In fact, the decision to convert his 1996 tranche of 140,000 Salomon preferred shares into common stock is hardly surprising. Before the announcement, the stock closed at \$45% on Thursday. a 20 per cent premium to the \$38 conversion price. Mr Buffet has simultaneously given himself an out, by filing a shelf registration for Berkshire Hathaway, his investment company, to issue \$400m of notes exchangeable established technique for unloading unwanted invest-

Otherwise, the conversion of the preferred stock would leave him more heavily weighted in common stock, an inherently riskier investment than the preferred stock, which pays a fixed dividend of 9 per cent.

The new Berkshire notes, which would be exchange-



Warren Buffett: has lined up exchangeable note issue

current share price, would potentially reduce Mr Buffett's stake to about 11 per cent. Mr Buffet also said he was looking at other ways of disposing of stock. But Mr Jim Hanbury, a Schroder Wertheim analyst, said the having to dump it on the into common stock - an market and depress the share price".

divestment, Salomon's stronger performance this year and the resulting rally in its share price. share price - could be seen as a tempting opportunity to cut a problem investment.

Mr Buffett is expected to stay on the board and remain a substantial investor. But some analysts say market downturn.

able at a premium to the the move could re-ignite speculation about Salomon's future. After a poor 1994, Salomon's last four sets of quarterly results have been strong.

Better still, it jumped from fifth place in 1995 to the number two spot in the exchangeable notes were a underwriting league tables clever way of disposing of for US debt and equity in the part of his stake "without first half of this year, according to Securities Data, which tracks primary offerings.

This is an important step While Mr Buffett has not in the firm's efforts to move committed himself to such a away from its reliance on proprietary trading, which has historically held back its

But analysts believe that its profits are still largely derived from proprietary trading, and that it could therefore prove more vulnerable than its peers to any

NEWS DIGEST

Hyundai cuts sales forecast for year

Hyundai, South Korea's second-biggest conglomerate, has cut its sales forecast for 1996 from Won72,000hn to Won69,000hn (\$84bn) in response to growing economic problems in Korea. The company, which recorded sales of Won60,000hn last year, said most of its businesses, which include cars, ships, electronics and construction, were performing worse than expected.

The revised forecast followed closely on the news that

The revised forecast followed closely on the news that Hyundai had reshuffled the heads of its electronics and construction operations, and indicated that up to a third of the senior management would be replaced by younger executives in the next few months. This follows a "generation shift" in the top management of Hyundai at the beginning of the year, with the appointment of Mr Chong Mong-koo, son of the Hyundai founder, as the new group chairman.

group chairman. Hyundai car and construction companies have been hurt by a slowdown in domestic economic growth, while its electronics and shipbuilding operations have suffered from increased competition from Japan and a fall in global prices. In spite of increased debt loads for Hyundai Engineering and Construction, its new president, Mr Lee Nac-heun, said the company would participate in a \$10bn group project to build a new steel blast furnace facility which would compete against the state-owned Pohang

Oracle doubles in first quarter

Oracle, the US computer software company, reported net profits more than doubled year-on-year for the first quarter to the end of August, from \$54m last time to \$113m. Revenues from its core database-management programs were up 41 per cent. Total revenues for the quarter rose 36 per cent from \$772m last time to \$1,05bn The year-ago quarter included a \$34m after-tax acquisition

The California-based company said growth was "solid" worldwide, with the strongest increase in the Americas. International sales were adversely affected by currency translations, which limited growth in dollar areas. The results were in line with Wall Street analysts' expectations for high growth.

Later this month, Oracle is expected to haunch one of the first network computers designed for use in the home. Louise Kehoe, San Francisco

MAN Roland to cut 700 jobs

MAN Roland, the loss-making printing unit of Germany's MAN, said it planned to shed about 14 per cent of its workforce in response to fierce competition and weak demand in the sheet-fed printing sector. About 700 jobs out of a total of 5,044 would be cut in the next two years. "We do not expect a sustainable recovery in prices and volumes over the short term. Further cost-cutting measures are therefore imperative," the company said.

However, MAN Roland said it hoped to avoid compulsory redundancies. The unit, which has been in the red for several years, narrowed its net loss from DM146m to about DM80m (\$53m) in the year ended June 30 1996. Final figures for last year are due to be released Sarah Althaus, Frankfurt on October 17.

S Africa plans D-Mark bond

South Africa will this week launch the first D-Mark denominated bond since President Nelson Mandela took office. Deutsche Morgan Grenfell and Morgan Stanley will be the lead managers of the seven-year issue, which will have a volume of between DM400m and DM500m (\$265m

In the apartheid years, South Africa was a regular issuer of D-Mark denominated bonds. The South African central bank views the bond issue as a benchmark against which to set the conditions for future international bond issues. The issue is expected to trade at between 130 and 150 basis points above an equivalent

Amoco starts E Europe push

Amoco, the US petroleum company, launched its drive into central and eastern Europe at the weekend with the opening of its first petrol station in Bulgaria, in the Black Sea port of Bourgas. The company plans a network of more than 250 outlets in the region, with more than \$50m being invested in 50 petrol station/supermarket sites in Bulgaria by 2006. Theodor Troev. Sofia

Travelers buys landmark California hotel

By Christopher Parkes in Los Angeles

San Diego's Hotel del Coronado, backdrop to the film Some Like it Hot, and the resort where, legend says, Wallis Simpson met her future match in the Prince of Wales, has been sold to Travelers Group, the

financial services conglomerate. The sale, on undisclosed terms, followed the death in January of Larry Lawrence, who bought the hotel in 1963 and spent heavily on restora-tion before "the Del" - as aficionados know it - was listed as a historic monument in 1977.

The 690-room seafront hotel has from Primerica, as Travelers was The Red Lion chain, concentrated been a southern California landmark formerly known. He made his for- in the western states, is owned by a

for 108 years, and its distinctive tune building homes in Arizona, and public-private partnership including wood-clad architecture in 30 acres of made his name as a generous supstate pension funds, one of its foundgrounds has inspired creators porter of the Democratic party. including Walt Disney and the designers of popular "resort" hotels

all over the world. controls \$54bn of investments, is now prefer more secluded spots to cial services, including ownership of the Smith Barney brokerage, although its portfolio includes some In a less glamorous – but more \$5bn-worth of real estate, including a handful of hotels.

best known for its interests in finan- relax, it trades heavily on its history

US amba sador to Switzerland, drew much of his mortgage financing owned by Red Lion.

made his name as a generous sup-Although the successors of Hollywood stars such as Marilyn Monroe

and Errol Flynn who helped make New York-based Travelers, which the hotel internationally famous In a less glamorous - but more

substantial - exchange announced at the weekend, Doubletree Corp of Mr Lawrence, who died in office as Phoenix agreed to pay about \$1.2bn in cash and shares for 55 hotels

state pension funds, one of its founders, and Kohlberg Kravis Roberts, the buy-out specialist. The partners will control more than 10 per cent of Doubletree, which will own 234

Wolfgang Münchau, Frankfurt

MANII

hotels on completion of the deal. The revival of tourism in the western US, with hotels enjoying their best occupancy rates this decade, has inspired several exchanges of individual and small groups of

hotels in the past few months. West Coast hotel revenues are up more than 5 per cent on average so far this year, while San Diego boasts a figure of 8 per cent, owing partly to the invasion this summer of the Republican party convention.

Novell revamps Australis doubles loss network products

By Louise Kehoe in San Francisco

Novell, the computer networking software developer, has launched new versions of its networking and "group ware" products geared to Internet standards, in an attempt to reinvigorate

Industry analysts say the company, which once domi-nated the networking software market, has recently been damaged by competition from Microsoft and has failed to keep pace with the trend toward the use of Internet standards on corporate networks, or intranets.

lett-Packard.

Novell hopes to make a comeback with the introduction this week of "IntranetWare", a new version of its proprietary networking software, as well as an updated

workers to collaborate via

computer network. The success of these products may be critical for Novell. Analysts at Forrester Research said in a recent report that the company's future had "never been more tenuous", and urged "drastic

action". Two weeks ago, Novell responded to these and other critics when its board accepted the resignation of Mr Robert Frankenberg, chairman and chief executive. He has been replaced temporarily by Mr John Young a Novell board member and the former president and chief executive of Hew-

Mr Young said his tenure would end as soon as a new chief executive was found. In the meantime, he is pushing Novell to compete more groupware product, called aggressively and bring new assumed "the continuation GroupWise 5, that enables products to market faster. and expansion of trading".

for full year

By Nikki Tait in Sydney

Australis Media, financially-troubled pay-TV business, reported a loss of A\$251.7m (US\$200m) in the year to June, compared with a deficit of \$122.1m in the previous 12 months. The fig-ure includes abnormal charges of A\$30.7m.

But the Sydney-based company, which was the first to offer pay-TV services in Australia, said it had written indications from the majority of its existing US noteholders which would allow a new US\$150m US debt offering to procee Australis said the majority of noteholders also supported amendments to the

proposed Optus Vision joint venture. Financial statements assumed "the continuation

existing US notes, and its

FIDELITY FUNDS SICAV Société d'Investissement à Capital Variable Kansallis House - Place de l'Etoile L-1021 Luxembourg R.C. No B 34036

Fidelity Funds Sicav has declared an interim dividend in respect of shares of Fidelity Funds - Sterling Bond Fund in issue at the close of business on July 31, 1996, of £0,0045 pounds sterling per share. In the case of registered shares, dividends will be paid or reinvested in additional shares of Sterling Bond Fund, as appropriate, on September 12, 1996; dividend cheques not cashed within 5 years will lapse and the dividend will revent to Fidelity Funds.

In the case of bearer shares, dividends will be paid to holders of bearer shares, dividends will be paid to holders of bearer shares in sterling (or by arrangement with the Paying Agent and at the cost of the shareholder, in any other currency) against tender of the relevant coopon (coupon no. 23) to: Paying Agent in Luxembourg

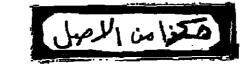
BANKERS TRUST LUXEMBOURG S.A. P.O. BOX 307 14. BOULEVARD F.D. ROOSEVELT LUXEMBOURG

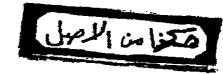
Paying Agent in France 96, bd Haussmann 75371 PARIS Cedex 08

Paying Agent in Ireland Bractwell Limited 41-45 St. Stephen's Green ABN-AMRO Rank AMSTERDAM Paying Agent in Sweden Svenska Handelsbanken Blasicholmetors, 12 10670 STOCKHOLM

Paying Agent in The Netherlands









THIS WEEK



Global investor / Richard Waters

Lessons for US trade unions

merica needs a raise." So says Mr A raise." So says Mr might. Companies have learned not to brag about learned not to brag about top trades unionist in the US, in the title of his latest book. It is a rallying cry to the down-sized, the insecure and the economically dispos-sessed, the supposed victims of 1990s US capitalism.

This is the year when American workers were meant to start exercising their power again. It dawned, remember, with widespread condemnation of AT & T's plan to sack 40,000: the anger and insecurity prompted by such large-scale corporate sackings had at last found their way into the political arena. That was followed by interest in chief executives' pay. Fear and greed make a potent mix.

f quarter

700 job.

: K Ind

e push

a turned out the way they sackings quite so brazenly. New jobs have been appearing at a rate of more than 200,000 a month. The insecurity is still there, but the story has fallen out of the political headlines.

That is not to say that Mr Sweeney's efforts to kindle a... new sense of militancy among American workers will necessarily fail. But it is important to understand how trades unions are choosing to exercise their influence - and what effect it might have on future US labour costs.

One lesson is that the unions are using what power they have to protect members' jobs. not to win a big-Things, though, have not ger share of the profits cake.

bers of the Machinists Union called off a strike at McDonnell Douglas in St Louis. The aerospace and defence company promised honuses in three of the next four years, including an immediate 4 per cent. The change in basic pay, though, was 2.5 per cent next year, followed by another 2 per cent in

That agreement echoes others seen across the country, says the Machinists Union. Pay levels for its 500,000 members are going up faster than the rate of inflation this year. But bonuses and other one-off payments make up a big part of that.

Labour costs are also becoming more flexible in

other hand, is that the fight lower initial wages. over job security will leave a greater degree of inflexibility in some manufacturers' cost structures than they would jobs in the auto and other like. Unionised car workers cost about \$40 an hour in pay and benefits, roughly twice the remuneration of a worker in a non-unionised

head (the United Auto Workers' three-year labour agreement expired over the weekend), this issue will remain centre-stage. So far, the signs are that the manufacturers will extend some degree of job security to existing workers, but in return for concessions which will allow them to contract

and bring in new workers on

This is, to some degree, a temporary issue: many of metal-bending industries were created in the late 1950s and 1960s, and their holders will be retiring in increasing numbers in the parts plant. coming years. The struggle is now shifting to a new gengaining round coming to a eration of workers with no memories of the glory days

of union power. The third lesson is that the fight for higher wages will increasingly take place far from the traditional assembly line.

The number of union members climbed slowly until the mid-1970s, and has since slipped slightly. But with the rapid growth in the

total labour force, the unions have seen a rapid erosion of their relevance: only about one in seven workers is currently a member of a trades union, compared to one in

1963 85 87 80 91 93 98

This is what the zealous Mr Sweeney has set out to change; and, according to Mr Harley Shaiken, a labour professor at the University of California, he has already proved himself an adept

Total return in local currency to 12/9/96

signing bonuses paid to Wall

organiser and morale-booster. The boss of the union organisation, has set his sights on bringing immigrants, farm workers and other low-wage workers into the unions.

This is a part of the labour market that is experiencing some of the greatest pressures at the moment, and where wage rises have been most pronounced. Forget the

Street's most coveted dealmakers: they are now being paid in fast-food restaurants in some parts of the country. Wage inflation in the US economy overall remains a subdued, though constant.

cause for concern in stock and bond markets. But those industries which traditionally have relied on cheap labour will feel the pressure

Michelin set

to continue its recent advances

world's largest tyremaker is expected to report a further increase in earnings as it continues to recover from the losses of of its sales but conditions in the early 1990s. Analysts Italy have been particularly forecast Michelin will report first-half net profits of FFr1.65bn-FFr1.8bn (\$324m- Dalgety:The UK food \$354m), up from FFrl.43bn a AFX, Paris

■ Fiat: The Italian carmaker is expected on Thursday to report interim pre-tax profit before exceptionals of between L1,100bn and was hit by the twin blow of L1,840bn (\$728m-\$1bn), com-BSE - which is expected to pared with L2,000bn a year wipe 225m off profits from earlier. At the pre-tax level, the knock-on effect on ani-

analysts forecast profits of mal feed producers - and L2,153bn last year. They blame the weak car market hard to digest. worldwide, the stronger lina and competition. The Latin Hays: The UK business American markets which Fiat has developed are not performing as well as last year. Even though, Fiat is increasing its market share

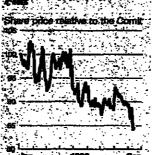
AFX, Milan group is expected to announce annual pre-tax profits of about £90m-£95m (\$148m) today, compared with £127m last year. Anslysts have downgraded expectations after the group

between L1,100bn and last year's £465m acquisition L1,565bn, compared with of Quaker European Petfoods which it has found

services group is likely to emphasise the growth potential of its existing businesses and argue that it does not need acquisitions, when it in Europe, it depends on its reports full-year results home market for 40 per cent today. The expected comments follow the group's failed attempt to buy Christian Salvesen, the distribution and specialist plant hire group, for £1.18bn in August. Analysts forecast that Hays will record pre-tax profits of £180-£188m, (\$207m) against £110.8m last year, with all three divisions

Morgan Crucible: The UK English China Clays: The speciality materials group is minerals and speciality expected today to report chemicals group is expected

showing an improvement.



about £49m-£50m (\$78m) compared with £42m, following strong growth in its main carbon and ceramics operations. It has seen some recovery in demand for US autocomponents and organic growth elsewhere.

increased first-half profits of to report sharply reduced

Share price relative to the

first-half profits of about £20m-£25m (\$39m) today, compared with £55.3m last time. The supplier of paper industry products such as mineral pigments and speciality chemicals has been hit by heavy destocking by paper manufacturers. Analysts are split on whether it will cut its dividend from last year's 5.5p interim payLaporte: The UK's fourth largest chemicals company is today expected to report lower interim pre-tax profits of about £58m (\$90m), compared with £67m. This is partly due to the continued poor markets that held the group back in the second half of last year, and also to accounting changes brought in by new chief executive Mr Jim Leng, which have led to lower reported profits.

Sears: Mr Liam Strong. chief executive of the UK retail group, will be on trial for his job when he reports first-half figures tomorrow. Dissatisfaction with his failure to engineer a prolonged recovery spilled over at the annual meeting in June. when there were calls for his resignation.

Analysts believe the company will be lucky to report pre-tax profits much above know whether Selfridges is benefiting from an upturn in department store spending: whether the Freemans mail order business is back on track; and whether focusing

on fewer formats is helping the shoe business put the Facia debacle behind it. ■ Tesco: Interim pre-tax profits at the UK supermarket chain are forecast to rise to £310m-£335m (\$522m) com-

pared with £290m, when the group reports tomorrow. Issues will be the impact of the J. Sainsbury loyalty card - only launched in June and how the new "Unbeatable value" price initiative is affecting margins,

■ Britanuic Assurance: The UK life and pensions group is expected to report a 9 per cent rise in its interim dividend to 5p on Wednesday. the interim stage.

Compiled By AFX News

■ Next: The UK retailer which has recently rejoined the FT-SE 100 index is expected to report interim profits on Wednesday of between £52m (\$81m) and £55m, up from £50.1m a year ago, Analysts will be curious to hear if the group feels there is scope for collaboration with Great Universal Stores, now that Lord David Wolfson is chairman of both companies.

■ RMC: Analysts are expecting a decline in pre-tax profits to about £100m (\$156m) from £130.1m when the UK building materials group announces interim figures on Thursday. The company's comments on the outlook for the second half and 1997 will be important for sentiment towards the shares. A modest increase in the 7.7p £20m (\$31m) this time. They The group does not interim dividend is expected.

Enthusiasm for luxury brands

Strong response to the in it for the flip," he said. international primary offer for Leica Camera, the German camera and optical group, has highlighted investor enthusiasm for compa- ing campaign for its forthnies with well-known luxury brands.

With many investment bankers preoccupied with forthcoming European privafocus last week in the priwas again on these and other European small and Nichols and Sachs Fifth Avemedium-sized companies.

Leica's shares were priced (£20.4), raising up to came mainly from Europe, DM168m for the company. with investors from the UK, Mr Connor Colleen, head of Germany, Switzerland and equity capital markets at France enthusiastic buyers. UBS, joint global co-ordinator with Westdeutsche Landesbank, said the deal had companies are also in the been oversubscribed by more than 20 times. "It was difficult to pick your way through the list: who was in ian tile manufacturer, which

Leica and Tag Heuer folury good makers to interna-

nue. According to Mr Colleen, Meanwhile, a string of other medium-sized European market. Book building continued last week for Gruppo Ceramiche Ricchetti, an Ital-

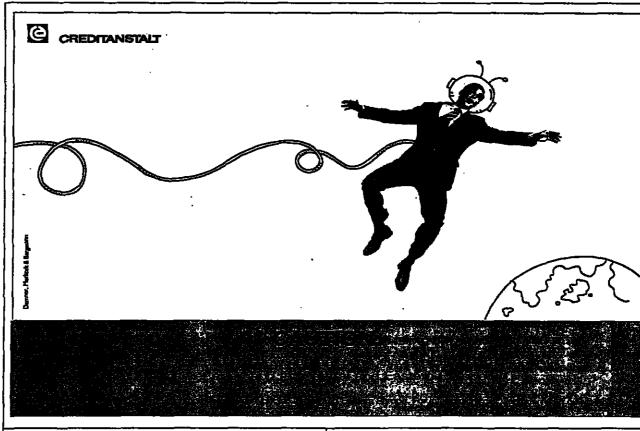
The success augurs well for Tag Heuer, the Swiss watch manufacturer, whose bankers began their manufacturer. likely to come to the market coming international share in the next few weeks. Also offer last week. Pricing of in the pipeline is a \$100m Tag Heuer's SFr400m deal for an Italian company (f222m) issue is expected at which makes instruments the end of the month. for the healthcare sector.

tisations - ENI of Italy and Leica and Tag Heuer fol- Elsewhere, the emerging Deutsche Telekom - the low a number of other lux- markets of Asia and Latin Elsewhere, the emerging America are also providing mary international market tional markets, including investors with some new Some C235m-40m of the was again on these and Gucci, Bulgari, Harvey mid-sized stocks. Pricing of a C250m convertible bond, \$300m in global depositary receipts (GDRs) issued by last Thursday at DM47 demand for the Leica shares Korean banks coming to the group also intends to launch

market, is expected soon. the international placement Peruvian electricity distributor. The government, which is thought to want to com-plete the offering this year, is selling its 80 per cent stake in two domestic and one international tranches.

through the sale of shares in Telefonica de Peru in July, is expected to raise about \$100m.

Finally, the Bank of Cyprus announced last week that it plans to raise C£75m (£52.5m) in a convertible bond and equity offering. which is being listed in Luxembourg, is being offered to Kookmin, the first of a list of international investors. The a C£25m rights issue on, or CS First Boston has won after, May 1 1997. Proceeds the mandate to co-ordinate will be used to strengthen capital adequacy rations and of shares in Luz del Sur, the underpin the bank's developlead manager of the international tranche. This will be the first time a Cypriot financial instrument has been listed on a European exchange,



it for real value and who was is seeking to raise up to FT/S&P ACTUARIES WORLD INDICES

The FT/SEP Accustes World indices are owned by FTSE international Limited, Goldman, Sache & Co. and Standard & Poor's. The indices are compiled by FTSE international Limited, Goldman, Sache & Co. and Standard & Poor's in conjunction with the Faculty of Actuaties and the Institute of Actuaties. NatiWest Securities Ltd., was a co-founder of the Indices.

REGIONAL MARKETS	-			Y SAPT		12 1002	1i W	Gross		Pound	400×100	MBER 12	Local		LLAN M	Year
Michigan in baseuppasses	US	%ong	Pound				Local %		Doller	Sterling	Yen	DM.		نظموس حا	72 wast	
show number of lines	Dotter	aknoe	Sterling	Yen	DM: Index		ong from 29/12/95		Index	Index	index	Index	index.	i-Soh		(approx)
of stock	Index	29/12/90	index	Index	# KARA	1000	-		7=0-							
	-44		194,31	142.21	160.19	170,83	0.5	4.47	202.67	193,40	141.04	159,49	189.41	212,18	179.77	191.01
Apprelia (76)	205.73		167.01	122.23	137.68	137,61	6.0	2.04	174,70	168.54	121.45	157,34	137.26	195.04	168,11	179.12
Aughts 120 Augustus Press	7 <i>1</i> 26.33		208.55	161.17	170.28	188.42	9.8	4.00	218,19	205.00	150.29	189,96	185.97	218.89	187.17	
Balcken (27)	210.5/			127.18	145.27	341.97	38.6	1,90	180.85	172.41	126,73	142,18	339.35	189.70	123,97	
State 28	102.27			116.32	131.02	165.29	12,7	2.19	184.66	156,96	114.46	129.44	183,48	168.84	134,14	
Consta (117)	100.04			222.53	250.67	252,68	16.1	1.82	319.04	804.14	221.79	250.82	252,82	321.04	278.89	
Danmark (30)	310-04			145,78	164,21	200.35	17.5	2.49	207.57	197.88	144.30	168,19	199.05	275,49	171.78	
Richard (23)	200.00	•	185.00	135.39	152.51	156.02	14.0	2.00	102.89	188.88	184.06	151,60	158.07	186.39	167.70	
Francia (MA)	189'61		167.30	122.44	137.92	137.92	18.2	1.78	173.70	165,66	120.81	138,62	136.62	177.83	155.68	
Carriery Chi	112371		414.08	303.05	341.37	431,00	12.0	3.54	430,24	410.15	299.10	338.24	427.10	451.19	354.67	373.29
Hone Kone (58)	-3- ::			137.70	155.11	261,12	_	1.69	194,74	185,65	135.38	153,10	277.88	_	-	
Indonesia (27)	197.27	•		203,58	229.44	255.74	15.9	3.50	290.06	277.87	202.27	228.74	254.80	292.15		
helend (16)	491.00			52.51	59.15	85.85	-1.7	2.51	73.79	70.34	51,30	58.01	84,20	84.53	67.22	80.27
Nate (SR)	وتضوي	2,1	71,75	100.27	112.95	100.27		0.78	142.24	135,59	- 98.88	111.82	88.88	164.68	137.75	145.12
Japan (481)	142.00		137,01	388.00	497.06	434.89	12.8	1.22	554.16	528.80	385.27	435.68	533.57	585.09	425.77	
Malauria (107)	000.07	14.6				10387.32	19.0	1.29	1284,13	1205,00	878.82	993.82	10421.97	1325.55	791.99	1182.02
Mexico (19)	264.28			882.48 210.06	236.65	232,85		3.11	299.87		208.47	235.75	231.90	304.24	250,13	250,65
Netherland (79)	300.97	144			67.09	55.12	0.7	4.21	85,10	81,13	59.16	66.91	85.00	88.68	75.94	79.26
New Zeeland (15)	85.32	7.1	61.38	59,58		222.83		2.16	252.41	240.62	175.48	196.44	221,94	258.94	222.24	231,94
Mountain (32) ************************************	259.16		4-11-	176.71	199.08	268.08		0.59	204.65		149.27	100.60	267.46			_
Philippines (22)	205.12		195.63		. 161.28	257,53	-8.1	1,09	388.75	375.37		309.56	255.80	465.21	360.48	366.37
Singapore (44)	396.09			275.47	311.43	343.21	11.8	2.21	345.87		240.45	271.91	340.30	437.78	314.20	352.66
South Africa (44)	948.B7			249.52	274.31	170.47	72.3	3.44	174.15	166.01	121.07	198.91	168.38	183,85	145.15	152.96
SOUTH WHICE (44) COMMISSION	178.29			123.05	138.61	369.88		2,31	388.19	351,00		289.45	384.30	373.90	294.19	310.26
Speln (27) programme	979.90	19.8		260,99	293.99			1.57	243,51		100.36		188.57	254.34	202.79	
Sweden (48)	244 R4			170.76	102.35	186,19	11.8 -17.9	2.53		129.40	94.57	108.72	133.74	193.95	128,90	
Switzerland (37)	498.01	-18.6	130,58	95.56	107.85	134,99		4.02	217.38			.104.40	235.88	249.34	220.57	
The land (46)	260.34	8.2	237,81	174.04	196.05	237,81	8.0 10.3	2.14			190.16	215.05	273.54	277.25	238.29	
United Kingdom (200)	277 25		264,43	193.52	218,00	277.25	10.3	<u> </u>			100110	EILL				
USA (823) manufacture	4/1.45			176.86	199.33	213,18	10.8	2.13	250.18	238.50	173,92	196.68	210.38	253.52	215.17	
Americas (787)	259.52	10.7			170.24	188,60		9.03	214,85	204.81	149:35	168,91	187.03	216.96	191.44	
Europe (706)	216.52			151.13	251,38	275.98		2.24	318,41	301,84	219.97	248.76	274.10	319.71	281,13	
Nordic (137)	319.71		~~~	223.18		111,89		1.24	158,41		108,74	122.07	110,50	177.01	148.88	156.17
Pacific Basin (878)	167.85			110.18	124,11	140.61		2.12	180.63		125.57	142.00	139.35	190.57	166.51	171.56
Euro-Pacific (1584)	182.16			127.15	143,23 212,68	260,82		2.14	266.88		185.54	209.81	268.24	270.49	230,17	
North America (740)	270.49			188.80	152.68	160.65		2.47	192,68		153.85		159.31	125.76	170.51	172.90
NOTO: ATTRICE (1744 - 1744	104.16			135.52		245.37		3.01		270.67		223.38	244.54	298.68	243,59	260,51
Europe Ex. UK (508)	286.88	8.1		199.54	224.78	145.88		2.12	182.31		126.74	143.33	144.18	191.55	167,35	
Pacific Ex. Japan (397)	183.A7		1140-	128.34	144.57	178,19		1.93			144.05	182.00		213,05	185,61	189.21
World Ex. US (1792)	200 50			148.23	184,72	286,63		2.49	247,50		172.06	194.57			217.26	
World Ex tilk (2215)	260.20		238.62	174,64	196,72					_						
World Ex. Japan (1834)			~~~	148.63	167,42	183.49	7.9	2.13	210.67	200.83	148.48	165,62	181.96	214.95	188.87	
The World Index (2415)	212,93	5.3	203,08					STORAGE A	otentian" is	a lobe bad	- k of 1	he Branch	Times Limbs	of and Sta	nderd & Pa	oar's, Been
1100 Alberta		a Secta A	Co. and 8	گ ایجادی	Poors, 18	16. AJ (\$114)	med SA SA 6	cost; No	rokt. Dect 30	, (186 0 er 13	2,0E (VE 5	Inches, 114	Times Limbs AS (Pound 9)	efect end	193.22 (1.0	caf; Brezi,

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Jeremy Nelson

Tel: 0171-873 3447 Fax: 0171-873-3062

Perrovie dello Stato Floating Rate Notes due 2002 LIT 700,000,000,000 ting Rate Notes due 2002 2 praches

BANQUE PARIBAS



Floating Rate Notes due 2008 For the period from September E, 1996 as March 17, 1937 the Notae will curry as interest, rate of 5.875% per annum with an interest aggreets of US 829.35 per US 8868.27.

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Stock Exchange Tower, Capel Court Entrance, off Bar Landon EC2 and on any weekday up to and including 26th September, 1996 John D Wood & Co. PLC

100 Liverpool Street London ECZM 2RH

MARKETS: This Week

Benchmark yield curve (%)*
15/9/96--- Month ago ==

FT-SE-A All-Share Index

sector, in particular, looks

Such developments may

eventually worry gilts and

restrict the ability of

Kenneth Clarke, the

chancellor, to cut UK

sales numbers, due on

interest rates. The debate

monthly trends survey on

Thursday. Short sterling

for speculating on rate

changes, are looking for

rates to climb next year.

will be highlighted by retail

Wednesday, and by the CBI's

futures, the market's vehicle

10 11 12 .13

1.940

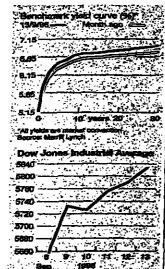
buoyant.

After last Friday's surge in US stock and bond prices. there is little in the way of economic news on the horizon to threaten the narkets' new, lofty levels. Barring the unexpected, the Federal Reserve's next policy meeting in eight days seems to be the next event

with the potential to destroy this new-found confidence. Friday's news of a modest rise in consumer prices and in particular, a continuing slowing in retail sales, has largely erased concerns of an interest rate rise later this month. By the end of last week, economists on Wall Street predicting a K-point rise in the Fed Funds rate next week had become a minority. Evidence that the US

economy is cooling after its surprisingly strong start to the third quarter belped drive the yield on the long bond back below 7 per cent. That, in turn, was enough to lift the Dow Jones Industrial Average to its first close above 5,800.

A thin calendar for economic data this week includes the release tomorrow of industrial production and capacity utilisation figures for August Industrial production is generally reckoned to have bounced back with a rise of 0.3 ner



NEW YORK By Richard Waters

cent during the month, after a 0.1 per cent increase in July.

Capacity utilisation is expected to have held steady at around 83.3 per cent, nearly 2 percentage points below the peak in early 1995, and not a level that has aroused bond market

The stock market, meanwhile, last week shrugged off a handful of profit warnings, including one from Motorola, in its rise to a new record.

LONDON By Philip Coggan

London financial markets should start the week in confident mood, having seen the FT-SE 100 chalk up all-time intra-day and closing highs last Friday. The December Footsie futures contract closed above the 4,000 level.

The UK markets were buoyed by US economic data which suggested that the Federal Reserve would not need to be too aggressive in its monetary policy. The data spurred a rally in ury bonds on Friday Trea which was followed by gilts. There have also been

domestic factors behind the rally. The results season got into full swing last week, and the leading companies which reported generally met or exceeded expectations. Liquidity, which has been one of the principal factors supporting the market, was given a further boost by the announcement of £613m of special dividends (over three

Among the industry stalwarts reporting next week are Dalgety. Morgan Crucible and English China Clays, while retailers Next, Tesco and Sears all come out with figures. It looks as if the UK economy is rebounding from the luli experienced in the first half of 1996, and the consumer

vears) from Reuters.

FRANKFURT By Wolfgang Münchau.

German markets ended the week with a euphoria not seen since the beginning of the year, on the back of a series of events in the US and at home.

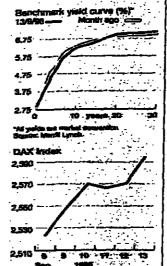
The DAX share index closed at an official record of 2,596, and in late trading went on to breach 2,600 for the first time. The bond markets also bounced up, with the DTB-traded December Bund futures contract ending at 97.99, up 76 basis points. The impetus for both markets came from a variety of sources. The

Bundesbank continues to signal that German interest rates will either remain at their current low levels, or may even fall further. Benign US inflation figures and the resulting prospect of continued low US rates have helped underpin German market sentiment. The two other critical

markets towards the end of the week were the dollar and the government's surprisingly comfortable victory in parliament, with the approval on Friday of budget cuts and labour market reforms. The Rundeshank said earlier in the week the passing of the package - including elements that have yet to be voted on and further savings

measures at a state level -

factors that supported the



were necessary for Germany to pass the Maastricht Treaty's qualifying criteria for the single currency. The Bundesbank also forecast a public sector deficit of 4 per cent of gross domestic product this year, compared with the Maastricht ceiling

of 3 per cent. The final piece of good news for the markets. especially equities, is the relative weakness of the D-Mark against the dollar, which ended the week in Frankfurt at DM1.5124.

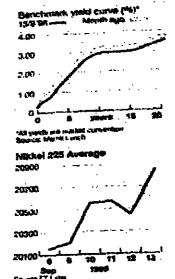
TOKYO By Emiko Terazono

Last week's stock market rallies on receding expectations of a US monetary tightening is likely to help Tokyo this week. Higher share prices in the US will boost hopes of a return of overseas investors to the Tokyo market. There are signs that

foreigners, who have been liquidating their holdings recently, are coming back Last week figures released by the Tokyo Stock Exchange indicated that foreigners became net buyers for the first time in nine weeks during the five trading days to September 6. Some foreign institutions

vere seen buying international blue chips such as cars and electronics in small lots last week. The yen's fall against the dollar has spurred purchases of such export-oriented companies.

Share prices, however. could feel pressure from profit-taking by corporations and financial institutions ahead of the interim book-closing at the end of this month. Some investors are already starting to realise latent profits on their books, and trading volumes on the Osaka exchange last week surged because of cross-trading - the selling and buying back of shares by investors looking to



realise gams on their holdings without changing their portfolios. Bonds, which railied on last week's release of first-quarter GDP figures are likely to see continued buying. The data, which showed Japan's first drop in quarter-on-quarter growth in eight quarters, suggest the Bank of Japan will stick to

its current monetary policy. The ministry of finance is expected to offer Y1,300bn in new three-month Treasury bills on Tuesday.

COMMODITIES By Richard Mooney

Gold dealers look for clues

The gold market has been desperately short of talking points recently as it has continued to fluctuate in its narrow trading range.

Last week, for instance, the "will-they-won't-they" debate on the outcome of the International Monetary Fund's deliberations on the proposed sale of 5m troy ounces of gold from its reserves to provide debt financing for poor countries was just about the only thing dealers and analysts could point to as the price edged down to the support level at \$382 an ounce.

Most of them admitted, however, that the issue was not of the first importance. "In market terms, it's peanuts," said one.

BIDDER/INVESTOR

P&O (UK)/NedBoyd

Union Petrochemica

BBA Group (UK)

St Ives (UK)

Publicis (Italy)

USI Far East Corp (Tah

Zeffweger Luwa (Switz)

(UK)

CROSS BORDER M&A DEALS

TARGET

Unit of Kodak

Units of BTR (UK)

Corovin (Germany)

Technology (UK)

Perimuter (US)

BCP (Canada)

(LLS)

Gen Atlantic Partners (US) Mobile Systems (UK)

In these circumstances analysts are likely to look more closely than usual at the Gold Survey Update when it is released on Wednesday by Gold Fields gives any clues as to whether they should be looking for a renewed test of support, a challenge to overhead resistance, or simply

"more of the same". include the two-day Australian Diamond Conference that begins in Perth tomorrow. That day also sees the Bureau of Agricultural and terly commodities bulletin

 Other events this week publication of the Australian Resource Economics' quarand, in Hamburg, the opening of F.O. Licht's three-day

SECTOR

Pay-TV

Shipping

Office

Plastics

Textiles

Detection

Printing

Advertisino

instruments

eauiomen

conference of Regenerating the Coffee Market. On Wednesday the threeday Metal Bulletin conference on Southern Africa Metals and Minerals begins Mineral Services, to see if it in Johannesburg; and in Kuala Lumpur senior officials of the Association of Tin Producing Countries commence three days of meetings ahead of next week's ministerial

> meeting. In London on Wednesday the Association of Mining Analysts will host a presentation by Eramet of France, the world's third-largest producer of nickel.

On Friday the International Primary Aluminium Institute publishes its production data for August.

VALUE

\$1.5bn

\$1.5bn

\$684m

\$300m

\$120m

\$56m

\$36m

\$35m

n/a

OTHER MARKETS Compiled by Jeffrey Brown

MILAN

Analysts and investors in Olivetti will have to wait a little longer for reassurance from Mr Francesco Caio, chief executive; his meeting with them, planned for today, and at which he was to explain the information technology group's haif-year results, has been postponed until September 30.

The shares tumbled 23.6 per cent last week as they returned after two days' suspension following the previous week's resignations and allegations, denied by Olivetti, that the published half-year results were misleading.

The market will also have a keen eye on Parmalat, which also took a tumble after a botulism scare led to a halt in the sale of its

mascarpone cheese. Coincidentally, the Inter-national Investor Relations Federation holds its seventh annual conference in Milan today, while Thursday brings half-year results from Fiat, with analysts looking

for pre-tax profits to drop by

PARIS

about 25 per cent.

Having broken the 2,000 level to push the main CAC-40 index back within range of April's peaks, the Paris bourse is likely to remain heavily influenced by corporate news.

The half-year results reporting season is now in full swing and the ensuing focus on the corporate sector has been one of the main reasons for the recent outbreak of takeover talk.

Oil prices, which last week

surged through \$24 a barrel for Brent Blend, the North Sea marker price, can also be expected to underpin stock market activity.

The French budget is officially unveiled on Wednesday and, as a result, the flow of monthly economic data is limited. The franc has continued to soften, but the currency and bond markets have been more relaxed recently.

According to some commentators, this could shortly change. The budget deficit is to be reduced by 3 per cent. but Wednesday will provide a clearer view of how this is to be achieved. In the past, market disappointment on this score has sparked currency litters.

The main company results emerge on Thursday with Saint Gobein and Pechiney due to report. Most brokers

are looking for dull earnings from both companies. Michelin rolls out interims tomorrow, and Cie Bancaire has the chance to try to match recent strong results

HONG KONG

Thursday.

A return of more bullish sentiment is expected to continue sweeping the Hong Kong market this week, with buyers pushing the property and banking sectors higher. Strong annual results last

from the financial sector on

week from Henderson Land, one of the territory's biggest property developers, appear to have convinced investors that the residential property market has bounced back.

Banking stocks have also been sought with global giant HSBC Holdings closing on Friday at a record

HK\$137.50, buoyed also by strength in the UK market. The benchmark Hang Seng Index pierced the resistance level of 11,300 to close on Friday at 11,369.04.

Analysts have begun to speculate that the Hong Kong market could soon make an assault on its high for the year of 11,600.

STOCKHOLM

Among the Nordic bourses. attention in Stockholm is likely to focus on cash-heavy companies such as Volvo, Sandvik and SSAB in the hope they will follow Nordbanken's recent lead and splash out on a share buyback. News of the SK1.5bn buy-back helped the Swedish bourse push through to a new high last week. The budget bill will be presented to parliament on Friday.

COMMENT

nears end Container

consolidation

Sales-trebler

BTR launches

Taking 20% stake

for Danka

Bolt-on buy

Cash sale for

Niche purchase

Essex men

Furnoean carve-up

CURRENCIES By Repair 1

French franc takes limelight ahead of Fed move

currency markets await the Federal Reserve's decision on raising US interest rates. the French franc will this week steal some of the limelight from the dollar.

On Wednesday the French government delivers its full 1997 budget proposals, although most of the policy outlines have already been

the government's spending cuts and tax reforms will contain the public deficit within the 3 per cent target for membership of European

monetary union (Emu).
Following the budget's release, the Bank of France will hold its regular monetary policy council meeting

on Thursday. The French franc has The budget details will be looked firmer after another

As the international scrutinised to gauge whether shaky summer, as the D-Mark has retreated from the FFr3.42 level thanks to the recent strength of the US dollar As analysts at PaineWebber in London put it: 'French franc in crisis' is the Princess Diana of financial headlines: it can always

be relied upon to shift copy." But other analysts are not so optimistic about the franc. Mr Nick Stamenkovic, economist at DKB Interna-

tional in London, says it bers wanting to raise rates remains vulnerable, given France's poor fiscal outlook. The outlook for the US dollar remains uncertain, with the rise in oil prices because

of tension over Iraq, and opinion divided over the outcome of the upcoming Federal Open Markets Committee meeting on September 24. There is interest in further signs of tension within

the Fed, between those mem-

soon and those who do not. The latter group is reputed to include Mr Alan Green-

span, the chairman. Signs of a continuing recovery in Germany may be seen on Wednesday, with the release of the Ifo business climate survey for August. On the same day, the Bundespank's favourite indicator. M3 money supply for

August, is due out.

The East Driefontein division of the company has been affected by continued

violent conflicts among groups of employees since 18 July 1996. Thirty-four employees have lost their lives in these tragic and deeply regretable circumstances. Structures aimed at protecting the lives of employees have been established with the assistance of senior members of the provincial department of Public Safety and Security. During this period, operations at the mine have been affected by sporadic

period to date are estimated at R35 million. Management has engaged the services of a conflict resolution expert to assist in its efforts to reduce the potential for violence, thereby effecting a return to

work stoppages, resulting in a total of six shifts lost to date. Furthermore,

some 1 700 employees, respresenting approximately 14 per cent of the total workforce, have not yet reported for work. Total revenue losses during this

work by all employees Johannesburg

12 September 1996

The Leeudoorn division of the company has been affected by sporadic violent conflicts among groups of employees in the latter half of August. Five

employees have lost their lives in these tragic and deeply regrettable

Operations at the mine could not proceed from 20 to 28 August, with a total of eight shifts being lost. Some 1 100 employees, representing approximately 16 per cent of the total workforce, have yet to resume work. Revenue losses over this period are estimated at R15 million.

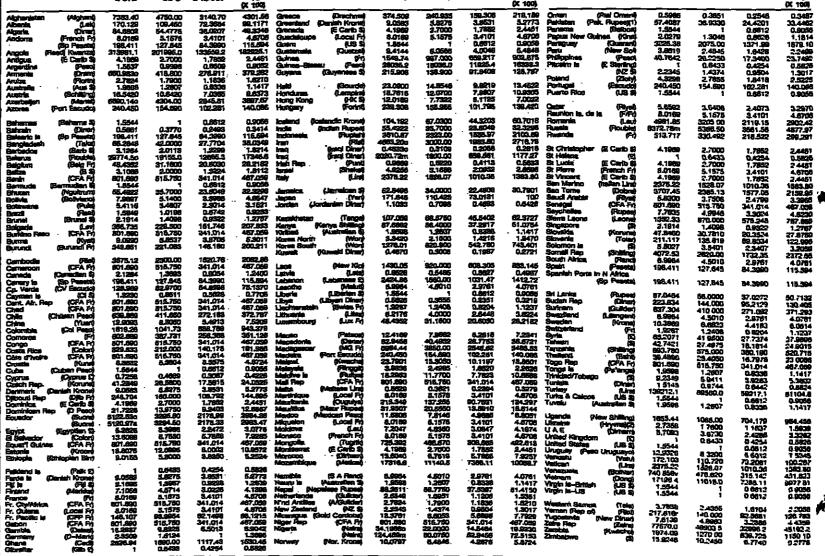
Management's efforts to reduce the potential for violence continue, with the aim of effecting a return to work by all employees.

Johannesburg

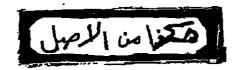
circumstances.

. 12 September 1996

FT GUIDE TO WORLD CURRENCIES able rates of exchange (rounded) against four key currencies on Friday, September 13, 1996 . In some cases the rate is nominal, Market rates are the average of buying and pt where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are sled.



New Last President related by 2,79% against US Dollar on 102/96 2) Ukraine Narboutness by House on 20/96 Some data derived from THE WANTEUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Tracing Contex, Spouries, 1171 634 4365.





FINANCIAL TIMES MONDAY SEPTEMBER 16 1996 Wasserstein Perella & Co. Limited 3 Burlington Gardens Wasserstein Perella Group London WIX ILE Telephone 0171-446-8000 31 West 52nd Street New York, New York 10019 Telephone 212-969-2700 WASSERSTEIN September 1996 As we approach our tenth year, Wasserstein Perella Group wants to thank you for your generous support. We continue to be committed to building an elite firm with the highest level of integrity, quality and creativity in our service to your As we approach our tenth year, Wasserstein Perella Group wants to thank you for your generous support. We continue to building an elite firm with the highest level of integrity, quality and creativity in our service to you.

Thereing this formative period Wasserstein Perella Group has. To Our Clients and Friends: During this formative period, Wasserstein Perella Group has: Assembled 350 employees worldwide, including 175 banking professionals • Increased our common equity capital base from an initial \$2 million to over \$250 million Created an international network with three key components: We have maintained a leadership position in mergers and acquisitions, advising clients on over 300 transactions with a total value in average of \$250 hillion. including more than 170 international transactions throughout the world with a total value. We have maintained a leadership position in mergers and acquisitions, advising cuents on over 300 transactions with a total value in excess of \$250 billion, including more than 170 international transactions throughout the world with a total value in excess of \$100 billion. Key factors that distinguish our advisory reaction are. An approach that emphasises both the development of corporate strategy at the chief executive level and excellence in value in excess of \$100 billion. Key factors that distinguish our advisory practice are: uransacuon execunon;
An emphasis on long-term relationships and a custom-tailored approach, as demonstrated by our work for clients who have relied on us in a carrier of transactions over a period of veers. nave reneu on us in a series or mansactions over a period of years;

• An expertise in complex transactions and innovative structures supported by specialised industry groups; A rocus on a rorume Aug cuent ust and emerging growing companies.
 A reputation as the "bankers' banker" — providing sound and unbiased advice in resolving valuation deadlocks, and other fiduciaries.
 On complicated financings and in representing boards of directors, special committees, and other fiduciaries. Our partnership with Nomura to form Japan's leading M&A firm, Nomura Wasserstein Perella. Extensive relationships worldwide; and • Grantchester Securities, our high yield unit, consistently ranks among the top three traders of high yield debt by volume having traded over \$17.5 hillion in securities in 1905, and is reported as a quality leader in high yield with the volume having traded over \$17.5 hillion in securities in 1905, and is reported as a quality leader in high yield. We are also proud of the success of our underwriting, sales and trading efforts: Grantchester Securities, our high yield unit, consistently ranks among the top three traders of high yield debt by volume, having traded over \$17.5 billion in securities in 1995, and is regarded as a quality leader in high yield Wasserstein Perella Securities, our expanding equity unit, concentrates on in-depth research and creative
 Wasserstein Perella Securities, our expanding equity unit, concentrates on in-depth research and creative
 financing advice regarding common stocks preferreds and convertible securities; and Masserstein Perella Emerging Markets is a specialist in money management and advisory services for developing markets with a superior rick-adjusted return record wasserstein rerena Securiues, our expanding equity unit, concentrates on in-depth rest financing advice regarding common stocks, preferreds and convertible securities; and wasserstem resent among the superior risk-adjusted return record.

developing markets with a superior risk-adjusted return record. Wasserstein Perella's merchant banking operations range from leveraged buyouts to venture capital and have included the highly encreased leveraged horome of Maybelline Inc. Colling & Aikman Composition and Imay Composition Wasserstein Perella's merchant banking operations range from leveraged buyouts to venture capital and have include the highly successful leveraged buyouts of Maybelline, Inc., Collins & Aikman Corporation and Imax Corporation. We again thank you for your support, and we will continue to work to justify your trust. Wasserstein Perella Los Angeles Chicago Tokyo Frankfurt New York

SCKHOLK

Taiwan's stock market is about to be transformed from an isolated and closed market to one which is outward-looking, international and more closely connected with the rest of the investment world. The market was opened to

EMERCING MARKETS DE LINE LIST

limited amounts of foreign investment in 1991, but until now Taiwan share prices have been driven almost US\$245bn. purely by domestic factors. with foreigners as marginal players. But with the inclusion of the Taiwan market in benchmark emerging market stock indices run by US investment bank Morgan Stanley on September 2, Taiwan shares will soon see a large and unprecedented influx of foreign funds, reshaping the culture and behaviour of the market. You cannot think of

Taiwan as a pure domestic market anymore. It is now becoming one of the Asian markets, whereas it was basically ignored before," The approval process said a Hong Kong-based fund Stock analysts predict the Morgan Stanley initiative

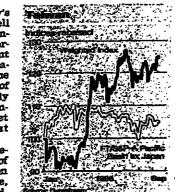
will lift average foreign holdings from the current 4 per cent of total market capitalisation to about 10 per cent over the next year. This would translate into fresh foreign funds of US\$10bn

Taiwan in Morgan Stanley's indices. This is still well below the government-imposed ceiling on overall for-eign holdings of 20 per cent of total market capitalisation. As of September 9, the ceiling stood at US\$48.9bn, of which US\$10bn was already invested, according to central bank figures. Market capitalisation stood at

fer blue chip stocks, but of the 360 companies listed on the Taiwan stock exchange, only 50 have no foreign holdings. Foreigners are also investing in the fledgling over-the-counter exchange, with 66 listings. There has been no immediate invasion of funds, but there has been a surge in applications and approvals since August. People aren't rushing in; they are slowly and carefully picking the companies they want to buy," said a Taipeibased securities analyst.

alone takes a month, so the full impact will not felt until later this year. Analysts point out that the difference between foreign investment in the past and the new wave of funds is the domination of US institutions, which had shied away from the Taiwan market. The scale of investment by US -\$12bn as fund managers funds is far greater than that adjusted their portfolios to of the mainly European and reflect the weightings given Asian funds which entered

ING BARING SECURITIES EMERGING MARKETS INDICES



the market earlier. Higher levels of foreign institutional investment should prove a positive and stabilising force for the market, as foreign investors tend to adopt a longer-term investment strategy than local investors. The market remains dominated by retail investors, who account for nearly 90 per cent of daily trading volume, and who

regard three weeks as a long-term investment. The chief question among investors, domestic and foreign, is whether the government can fulfil its promise of stimulating the economy, which continues to be weak. especially in the property rally, he said.

and semiconductor sectors. The government hopes to jump-start it with monetary measures; by re-igniting the property market, which has been in the doldrums for years; and by speeding up pending on infrastructure development, which is well behind schedule. Monetary measures, including lowering interest rates and bank reserve ratios, have not worked. If the other strategies are successful, the steel, cement and construction sectors should get a boost. The petrochemical sector has begun to recover, but semiconductors are not expected to regain strength until the

cond half of next year. Analysts agree that market valuations are on the nigh side relative to other Asian stock markets, But they differ on the market's potential. Some see upside as limited until the high-technology sector recovers from its cyclical slump. Others, however, believe with the large amounts of unutilised liquidity now available in the system, the influx of foreign funds could spark a retail-dominated rally.

"When this market goes on a liquidity run, you just don't know how high it will go," said the Hong Kongsed fund manager. The 1996 price-earnings multiple of 20 times could easily rise to 30 in a liquidity-driven

Taipei's fraught relations with Beijing are as ever the biggest risk factor for the Taiwan stock market. Crossstraits ties have made little of the hoped-for progress since their March nadir, during Taiwan's first presidential elections, when China held missile tests threaten ingly close to the island There have been no "disasters" of late, so the market is more or less trading on fundamental rather than political factors.

President Lee Teng-hui said in August the govern-ment should review its policy of placing China at the heart of the island's plans to become a regional business hub. Although Mr Lee's comments were quickly downplayed, they had a dampening effect on investment in China.

The chill is temporary, but until it lifts interest in China-play stocks will be limited.

INTERNATIONAL BONDS BY School Lapper and Samer Iskandar 10-year benchmark bond yields

Broadening investor base buoys Bradys

The rise in the prices of Brady bonds to a new all-time high last week has served to highlight the growing maturity of this sector of the emerging markets.

Although opinions differ on the extent to which the momentum can be held, most analysts and dealers agree the base of investors prepared to invest in Brady bonds, and more generally emerging market debt instruments, is widening.

With interest rates in the US and Europe still relatively low, the higher yields offered by these markets have been drawing greater interest. And improving credit quality is likely to continue broadening the investor base. "Credit ratings will be rising gradually," said Mr Richard Gray at Bank of America. Growth rates of one or two percentage points higher than in G3 countries [US, Japan and Germany) are

able future. Alongside the hedge funds which dominated the market in its early days are a growing number of US institu-tions, including mutual funds and insurance companies, recently joined by a flood of retail investors, especially from Europe. Mr Jerome Booth, head of emerging markets research at ANZ Bank in London. said this new investor base

sustainable over the foresec-

was "more prudent". Ms Ingrid Iversen, debt strategist at UBS in New York, said US insurance companies were now prethe size from DM100m. pared to invest more money in emerging market debt instruments. Although the percentage of assets they are average prices - reflected in permitted to allocate is relatively small, the size of the the West Merchant Bank overall funds at their dis-Index - yield differentials ings between the govern-

US DOLLARS

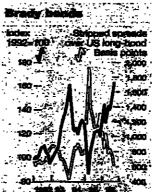
NEW INTERNATIONAL BOND ISSUES

big impact on prices. "There is something much more solid about the market," said Ms Iversen. "This is not a sudden buying

spree; it has been building up for some time." "It is definitely US money driving the market," she said, adding that capital flows from Latin America itself were no longer as important in sustaining the upward direction of prices.

have been prominent in the market this year. Investment banks have sold repackaged Brady bonds as well as straightforward eurobonds to German. Swiss and Benelux private investors. In the latest, CS First Boston and Effectenbank re-packaged Venezuelan Bradys into a securitised DM150m bond issue on Friday, Indications of strong interest led the

In Europe, retail buyers



lead managers to increase Analysts say the broader investor base bodes well for future price increases. In addition, despite the rise in

ENTEREST RATES AT A GLANCE LISA 5.76° 5.69 5.50 5.89 7.11 7.71 2.50 5.00 Discount 8.31 8.21 3.00 3.00 3.20 4.95 6.17 0.44 0.34 0.60 3.45 3.58 Overnight Three month One year

over US Treasuries still have some room to fall to reach the low levels achieved in January 1994. So-called stripped spreads - which aim to reflect more accurately the credit risk of the issuer by deducting the value of the collateral reached an average of 625 basis points last Friday. compared with 439 points in

5.20.

5.75 6.49 6.74

January 1994. But the rise in prices is making some observers cautious, or at least more discerning about some markets. While Mexico - and to a ser extent Venezucla and Brazil – has much further to go, Argentina is very close to being fairly valued," said Mr Booth at ANZ Bank.

Cracks have appeared in the consensus on Argentina. especially since the dismissal of [finance minister Mr Domingol Cavallo," one fund manager said.

Less obvious domestic factors are also potential causes for concern. In Mexico, for example, "ongoing negotia-

tions over debt restructur-

ment and some of its local banks could become a problem", according to one US investment banker. "Foreign investors might be losing in terms of the seniority of

3.79

5.37 6.27

their claims." But the overall picture remains bullish, as analysts point out that Bradys remain cheap in relative terms. The 10-year yield spread of Mexican Bradys over US Treasuries, for example, still looks generous at around 350 basis points. During the peak of early 1994, this spread stood nearer the 200 basis point mark, Most Bradys still offer higher yields than corporate high-yielding bonds with similar ratings, in contrast to the situation before the

bear market of 1994. And the flow of funds into Bradys shows no sign of relenting. "There is still scope for further strong performance, based on continued cash inflows into these markets," said Ms Amy Falls, head of emerging markets research at Morgan

Year to date movement Actual Percer Index 13/9/98 World (431) . +12.26 .159.82 +1.12 +8.31 Latin Ame +3.77 +4.09 +1.31 +3.97 +0.24 +2.19 +1.98 +3.04 +1.87 -4.30 -2.30 +0.96 -3.00 +0.95 94.72 242.27 184.99 Argentina (22) Brazil (23) +1.72 +0.71 +2.40 +0.28 +0.19 +1.42 +0.78 -2.27 -1.34 +1.14 -0.25 +56.18 -10.87 +5.08 +10.94 +30.19Chile (16) Colombia (14) Mexico (24) -5.48 +3.09 +14.87 Peru(13) +108.48 +18.36 +10.15 +0.68 Europe Greece (18) +2.08 +1.81 +7.99 +19.72 117,29 +7.31 +19.32 -1.25 +0.95 +1.26 +0.91 Portugal (20) Turkey (25) South Africa (30) -1.76 +0.95 +1.77 +22.60 +17.99 -10.52 +2.28 139.06 100.79 142.86 Europe (134) Asia China (24) -0.32 +4.85 -8.63 +1.73 -4.93 +11.19 -10.74 ±4.20 -0.05 -0.58 +3.19 -1.94 +2.13 -1.40 +2.35 -1.29 +2.42 -1.88 +0.85 -1.96 +4.13 -3.90 -35.63 +26.36 -3.36 +69.09 -52.54 +48.91 +11.61 44.48 134.75 +10.25 +3.73 -7.85 +0.69 -6.56 +3.53 -5.11 +2.39 -0.03 -2.81 -26.02 +11.59 -4.57 +26.66 -20.86 Indonesia (31) Korea (23) Malaysia (23) Pakistan (14) 101.28 253.72 70.23 328.26 +0.72 +4.47 +8.54 +4.73 +37,39 +5.72 Asta (185)



The Grootvlei Proprietary Mines Limited (Incorporated in the Republic of South Africa) (Registration No. 01/02088/06) ("the Company")

CONVERSION OF STOCK INTO PAID-UP SHARES

As a general meeting of members of the Company held on Monday, 9 September 1996, the special resolutions required for the conversion of the 11 438 816 units of stock of 25 cents each in the Company into 11 438 816 ordinary shares of 25 cents each par value ("the shares") in terms of section 100 of the South African Companies Act, 1973, were passed ("the conversion"). The special resolutions have been lodged with the Registrar of Companies for registration on Monday, 16 September 1996.

The listings of the units of stock on the Johannesburg Stock Exchange ("JSE") and the London Stock Exchange Limited ("LSE") will be amended to listings of shares with effect from the opening of business on Monday, 16 September 1996. Accordingly, stock certificates or other documents of title to stock in the Company will cease to be good for delivery ctions entered into after Friday, 13 September 1996.

Members who have not already done so should surrender their stock certificates or other documents of title in respect of their stock in the Company as soon as possible to the Company's transfer secretaries, Optimum Registrars (Proprietary) Limited, 4th Floor, Edura House, 40 Commissioner Street, Johannesburg, 2001 (PO Box 62391, Marshalltown, 2107) In South Africa or up to 30 September 1996 The New Issues Department, Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TH and from 1 October 1996 The Royal Bank of Scotland pic in the United Kingdom in order that they may receive replacement share certificates.

A form of surrender of stock certificates or other documents of title was enclosed with the circular to members of the Company issued on Friday, 16 August 1996. An additional form of surrender will be posted to members of the Company on or about Tuesday, 17 September 1996.

Friday, 13 September 1996. Sponsoring Broker

(X)

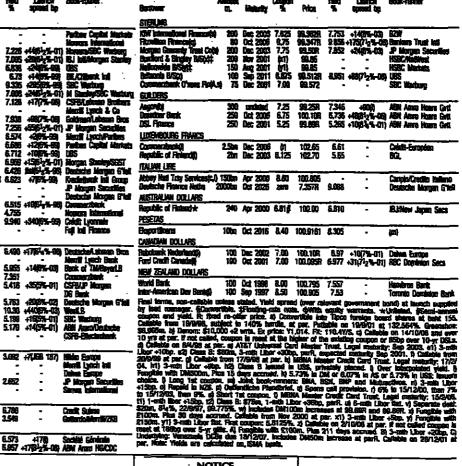
Simpson McKie James Capel Monber HSBC Group McKle James Capel (Pty) Limited f the Johnnesburg Stock Socionag Reg. No. 8401736407

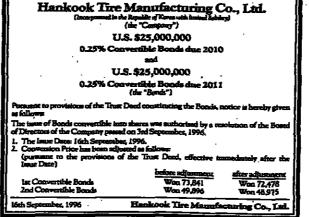


Gilfillan Hayman Godfrey ATTORNEYS

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| Republic of Buly | 1.50 | Sup 2001 7.06 | 99.9988 | 7.808 | 2465/24-01) | M SandaySSC Washing Engines Insections Bank | Nac 2006 7.125 | 99.9788 | 7.125 | 417(74-69) | CSPRIctional Bridging Special Sept 2007 | 72.06 | 100.008 | 7.254 | 4167/4-69 | CSPRIctional Bridging Special Sept 2007 | 72.06 | 100.008 | 7.254 | 4267/4-69 | Goldman Bridging Special Sept 2007 | 72.06 | 100.008 | 7.255 | 4267/4-69 | Goldman Bridging Special Sept 2007 | 72.06 | 100.008 | 7.255 | 4267/4-69 | Goldman Bridging Special Sept 2007 | 72.06 | 100.008 | 7.255 | 4267/4-69 | Goldman Bridging Special Sept 2007 | 72.06 | 100.008 | 7.255 | 4267/4-99 | Regim Special Intervals Special Sept 2007 | 7.256 | 100.008 | 7.255 | 4267/4-99 | Regim Special Intervals Special Sept 2007 | 7.256 | 100.008 | 7.255 | 4267/4-99 | Regim Special Intervals Special Sept 2007 | 7.256 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 7.255 | 100.008 | 100.008 | 1.255 | 100.008 | 1.255 | 100.008 | 1.255 | 100.008 | 1.255 | 100.008 | 1.255 | 1.255 | 1.255 | 1.255 | 1.255 | 1.255 PESETAS Text Magnism of Spain 150bs Sep 2006 3.10 100.67R 3.082 +7(US 187) Million Earton Magnism of Spain 150bs Sep 2006 0.10 100.67R 100.69R SS FRANCS 120 Oct 2001 7.125 181.40 6.786 100 Oct 2005 4.00 182.75 3.549 2ne Sep 2006 6.50 99.48R 6.573 417B Scalib Générale 3na Oct 2008 6.625 99.72BR 6.857 417B 278-00 ABM Area HGCDC Notice to Bondhoide Hankook Tire Manufacturing Co., Ltd. U.S. \$25,000,000





ATHENS STOCK EXCHANGE Sep 9th - Sep 13th 1996

956.19 P/E (after total 96e/95

870.86 P/CE 96e/95

MEEKLY VOL (USD m) 178-05 P/9V 95695

6.03 EPS GROWTH (NJ) 98e

T028.02 PIE 966/EPS GROWTH (NUMBER

Div. Yield (%) 98e/95

ASE INDEX

Yearly High

Yearly Low

%Chg (2/1/96

%Chg (Prev. Wild)

1 YWk.Avg. (USDm) . 149,28

GDP (USD (nn) 98e

1.18 September 12.M.T-8% rate (%) 8.6/9.3 1-Morth Ambor (%)

GFD/US\$

60/44

Per Capita Income (USD)

Inteston Rate (% Y.O.Y, August 96)

IPOs & Rights leaves (in USO m) Jun 1 99-Sep 13 36 549.48

NOTICE Adjustment of Subscription Price DAIWA INDUSTRIES LTD. Bearer Warrants to subscribe for shares of common stock of the Company (the "Shares") issued with U.S.\$50,000,000 1% per cent, Guaranteed Bonds 1997

Notice is hereby given that as a result of the issuance of 4,500,000 Shares of common stock of the Company on 10th September, 1996 at the consideration per Share of Yen 1,036 determined on 21st August, 1996 being less than the current market price of Yen 1,221.70 per Share for the cattioned Warrantic et al. the decrease. captioned Warrants as at that date, the Company has adjusted the Subscription Price of the captioned Yen 1,151,90

per Share Yen 1,137,00 DAIWA INDUSTRIES LTD.

3-13, Azuchi-machi 2-chome, Chuo-ku, Osaka, 🕵 SAKUBA TRUST INTERNATIONAL LIMITED Principal Paying Agent 16th September, 1996 SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE TEL: (301) 3311456 - 3245674 REUTERS PAGES: ATGG-H-I FAX: (301) 3252241 - TELEX 210733 ATRA GR FAX: (301) 3252241 - TELEX 210733 ATRA GR Contact Name: Mr John Marcopoulos/Ms Athing Desayori

GREECE

11,824

12.70

240.94

Notice is hereby given that for the aix months Interest Period from September 16, 1996 to Merch 17, 1997 (182 days) he Note Rate has been determined at 5.9375% per armum. The interest payment date, Merch 17, 1997 will be U.S. \$300.17 per U.S. \$10,000 nominal armount. By: The Clean Manhatha Rack Landen, Agent Sent September 18, 1998	:
European Investment Bank Floating Ente Notes the 200 For the parted from the parted from 18 the Notes will sarry as interest vet of 18,1750 to 18 the Notes will sarry as interest vet of 18,1750 to 18,000 to	

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BANQUE PARIBAS

والمراجع المحاورة والمعادية

U.S. \$200,000,000

Midland international

Financial Services B.V.

Guaranteed Floating Rate Notes due 1999

Midland Bank pic

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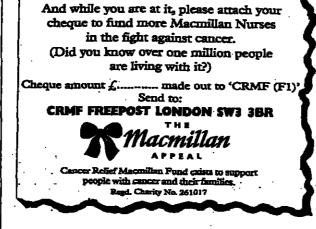


European Investment Bank PTE 30 Billion Floating Rate Bonds due March 2005 (issued on March 15, 1995) PTE 30 Billion Floating Rate Bonds due March 2005 (issued on June 15, 1995) Notice to the Holders

Notice is hereby given that the Bonds will carry an Interest Rate of 7.0525% per annum for the period 15.09.1996 to 15.12.1996.

PTE 1,758 per PTE 100,000 nominal PTE 17,583 per PTE 1,000,000 nominal PTE 175,829 per PTE 10,000,000 nominal PTE 879,147 per PTE 50,000,000 nominal

Luxembourg, September 16, 1996



SEND US YOUR

OWN PAPERCLIP

EMENS

WER IN

POWER IN ASIA

Urge to reform gathers strength

The need for finance is driving liberalisation. writes **Simon** Holberton

Alsony or

After a year of consolidation, there are signs that Asia's urge to reform the power sector has gathered fresh impetus. As a result, the way ahead is arguably clearer now for most participents in the industry than

Not all countries are using the same road map to reform. Some are still wary of private participation in their power industries, or of privatising state assets, but are still pushing ahead with structural reforms. The majority, however, have accepted that if they want to industrialise they have no alternative but to allow foreign ownership.
Importantly, the clouds

hanging over policy towards the power industries in India and China are beginning to

The desire among Asian nations for rapid electrification is as impressive as the capital requirements to finance that ambition are daunting. Final electricity demand in seven of the most important east Asian economies - China, Taiwan, Malaysia, South Korea, Indon-Philippines and Thailand - is expected to dramatically in the past grow by 8 per cent between now and 2010. This follows annual growth of 8 per cent year in the period 1980-1992. And this compares with final demand growth in neur Gordon Wu signed the

between 2 and 3 per cent. Recent work by World Bank economists suggest that the seven countries will load plant known as Novatas need to spend between \$1.000bn and \$1.850bn over 1994-2010 to meet the devel- not been without incident; opment goals their govern- however, no one seriously ments have set their electric- questions the wisdom of the

it is easy to arrive at figures in excess of \$1,500bn

raises crucial issues of how such development will be financed. Alongside this task, funds from multilateral agencies such as the World Bank group, though vital. amount to little more than a drop in the ocean. Asia's impressive savings rates will also have to be marshalled, and that means embracing widespread reform of domes take time; in the interim, western capital in the form of direct or portfolio invest-

ment will have to be tapped.
It is the need for external private finance that is in part driving liberalisation in Asia. In some countries it is blowing away understandable concerns about giving up control over industries as vital as electricity supply to foreign interests. But foreign investors are demanding, and getting, more safeguards for their investments. Countries such as the Philippines and Pakistan have gone out of their way to design investor-friendly agencies for channelling investments into their power sectors.

Indeed, the Philippines and Pakistan stand out as the leading countries in their respective parts of

The Philippines has moved eight years to restructure and privatise its electricity supply industry. In 1989, Hopewell Holdings, the flagship of Hong Kong entreprethe developed world of Philippines' first build-operate-transfer (BOT) scheme for the power industry - a 200MW gas turbine peak 1. Mr Wu's experiences in the Philippines since have

ity supply industries. Add in authorities' overall policy the Indian subcontinent and towards the industry. Since 1998, when installed capacity in the Philippines was This demand for capital 6,000MW, capacity has

grown to nearly 10,000MW. Today, the Philippines is on the verge of bringing forth Asia's first competitive electricity supply industry. The authorities plan by the year end to begin a two-year phased sell-off of the National Power Corporation in a \$500 privatisation.

The initial sales will be of Napocor's generation assets. tic capital markets. That will Part of the proceeds will be ploughed into the development of the Philippines' national grid. For this reason transmission will be retained in state hands for the time being, although the government's intention is that the grid should also be

> Mr Fernando Rozas, head of privatisation at Napocor. says that privatisation seeks to achieve a number of objectives. "We want to make the energy sector more efficient by putting it in private hands; we want to reduce the taxpayer's burden; we want to spread share ownership, and we want to unbundle prices and subsidies in the power sector to make the industry more transparent."

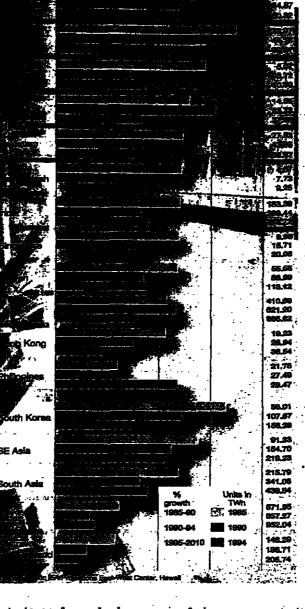
Pakistan presents another road to efficiency. Since 1994 when a new policy which provided for quick project approvals came into force, investment has flowed into the country's power industry. By 1998, capacity will have been boosted by at least 20 per cent to around 12.000MW.

Investors have been offered reasonable returns. They have been promised an average tariff of 6.5 cents per kilowatt hour, which includes some provision for escalation. Imports for plants have been exempted from duties. The Pakistan authorities have allowed pro-

jects to go forward whose capital cost is financed by up to 80 per cent debt. Last, but by no means least, the entity which owns the power station enjoys a 30-year tax hol-

These may seem unduly generous measures, but they have delivered electric power to a country which could not afford to provide it for itself. And the authorities are extending the experiment. Large scale transmission projects are being offered to private investors to build, operate and main-

The authorities are, how-



Asian electricity growth and forecasts

ever, facing a severe test. Pakistan's persistent trade deficit is raising questions about the government's ability to finance both the country's growing external energy bills to fuel the power stations it has

> dollar denominated revenues it has promised developers. Superficially, Pakistan ought to be a model for India, but is unlikely to be so because of India's federalist and therefore decentralised decision-making structure. Maharashtra's dispute

approved, and meet its obli-

gations with respect to the



second largest emerging

an important corner. Enron's Dabhol project now looks as though it will proceed after a painful renegotiation of the original deal. India needs a few successes. As its economy grows so does the gap between electricity demand and supply. This year the shortfall is set to widen to 14.5 per cent.

market for power has turned

India's problems are exacerbated by a weak transmission and distribution system. Power losses of 20 per cent. because of theft or inadequate transmission are not uncommon in India, while in some areas losses are even

Significantly, the World Bank is turning its attention to transmission. "We lend quite a lot for power generation - we have done so for 40 years," says Mr Harinder Kohli, senior World Bank adviser on East Asian and Pacific Affairs. "For every with Enron, the US energy dollar of generation you ket for independent power.

the industry is watching mostintently is China's. It is undergoing a large scale restructuring, with the operations and regulation being separated. China has kept foreign investors at hay, preferring to keep the ownership of the industry restricted to mainland entitles with occasional investment by overseas Chinese investors permitted. This

may be about to change. The awarding of contracts for Laibin B-a 700MW station in Guangxi, south China - will form the basis upon which all future power deals are done in China.

The future of foreign equity participation in China's power industry may well turn on the extent to which foreign banks will accept non-binding guarantees from provincial govern-ments. This will decide whether China graduates from "potentially" to "actually" the world biggest mar-

Project finance: the way ■ Taiwan: diamenting state monopoly

 Hydroelectric power: a surge in consumptio Equipment sales: both hope and disappointment

most important growth region distribution; week links in the

private sector Malaysia; reducing the number of blackouts Page 4

 India: privatisation under way
 Philippines; in the midst of veeping restructuring nd: Independent Power Producer programme Pakistan: privati domestic fuel sources the keys

 Hong Kong: energy policy in spirit of laissez-faire China: edging towards foreign involvement

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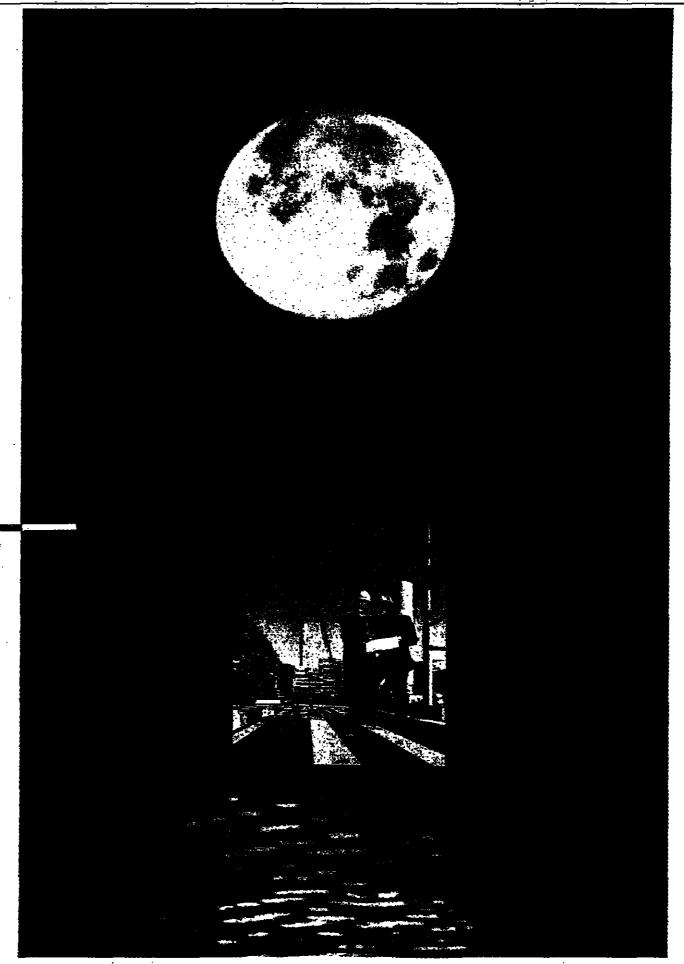
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International finance: by Simon Holberton

Exposure only to partial risk

The institutions are involved with the design of more marketoriented regimes

In May this year a \$630m financing for the Uch power project in Baluchistan, as well. Pakistan, was finalised. It marked not only another milestone for Pakistan in its quest to make investment in its power sector as attractive landmark for the World Bank and the International Finance Corporation, its

commercial lending affiliate. The financial innovation in the deal was a "partial risk guarantee" from the World Bank. The guarantee covers lenders from a borrower's default due to nonperformance of specific contractual obligations. These include, maintaining an agreed regulatory framework; delivering inputs such as fuel; paying for outputs such as power; compensating for project delays; and currency transfer and convertibility risks.

This guarantee enabled a 15-year \$75m syndicated commercial bank loan to be raised - the longest maturity to date for a commercial financing in Pakistan, and it had an important influence on other lenders of more than \$450m of additional

There are only so many transactions we can do.' says Mr Harinder Kobli, senior adviser on East Asian and Pacific affairs to the World Bank, "We see our loans as a catalyst."

He cites the Philippines as a country where the World Bank used to be a large provider of finance to the generation business. "We're beginning to see the private sector increasing its involvement in generation, so we can reduce our lending."

There has also been a change in the scope of World Bank finance in the power sector. With the growth in private finance for generation the bank has been paying more attention to transmission and distribution. "In Indonesia, the bottleneck is more in transmission and distribution than in generation." says Mr Kohli who believes this is increasingly the case in other countries

However, while finance is clearly one of the more important roles of the supranational agencies such as the World Bank it is far from as possible, but it was a their only, or necessarily most important role, Making a virtue out of their limited capital resources, the supranationals are involved intensively with the design of more market-oriented regulatory regimes in the countries which welcome their activities.

"Even more important than providing finance is the technical assistance we provide to help reform the energy sector," says Mr Kobli.

Since 1994 the IFC, in particular, has been working closely with the Pakistan authorities to develop policies designed to foster confidence among foreign inves-

"It has been very successful." says Mr Andrew Bartley, an investment officer in the IFC's power division. "It utilises a 'one stop shop' entity. It is empowered to give approvals and clearances; before that, developers had to go to a variety of

"It is an extremely important change. One of the main impediments to power developments in Pakistan previously and now in India is the large number of clearances needed and excessive interference by local and central government agencies in the minutiae of projects."

Moreover, unlike the Hub project, where the electricity tariff was based on 'cost plus', in projects since 1994. including the Uch project, developers have been required to bid against a fixed tariff.

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"By giving the developer a fixed price you can leave the structure of the project up to the developer." says Mr Bar-

He points out that the other major step forward since 1994 has been the development of model documentation and agreements. Pakistan demonstrates the value of clear, transparent policies. It has made it easier to push projects through."

The role of supranationals in the power sector is to wean them off direct controis and towards a system of control through regulation. Mr Kohli makes the point in reference to the World Bank in China which is currently in the throes of reforming its electricity sup-ply industry. The central ement of our dialogue with the Chinese is the issue of tariffs. Pricing is the best possible signal you can give

The World Bank is working with China so that tariffs in China can better approximate the long run marginal cost of producing power. The average tariff paid along China's coastal provinces is about 10 per cent to 15 per cent below long run marginal cost. The situation in the interior provinces is different where prices are 30 per cent or more below cost, he says.

The bank has also been helping the Chinese authorities with the task of separating the regulatory aspects from the state agency - the ministry of electric power which owns the power stations.

The IFC is also banging this drum. "Governments have got to

get out of the driving seat and assume the role of policemen," says Mr Bartley. "For power sales agreethe real concern should be how much you pay for the electricity, not who the contractor is and how much it will cost. Governments need to focus on how much they pay for elec-

Banks hold the key to the long-term funding of power stations

While power projects often stretch technological and commercial skills to the limit, the biggest test for many schemes is finding the Often the financial

elements of a package offer

innovation as the hardware.

as much scope for

So it is with the Jawa Power heme, where construction le just starting at Patton, on Jawa island, in Indonesia. Jawa Power, a joint venture between Germany's Siemens, PowerGen of the UK and Buminertiwi Talapradipta, the Indonesian development company was singled out a by the Indonesian

government as a key project

in its independent power

programme

institutional investor liest time atmerican

inde had bet shareholders free to measure the scheme's francial size, including the distribution of funds last proper's success has

ncodiness others to tap the S Making what more to be shown Pland Sugar is the begin to the long-term implies of power stations

Geography commercial

Labers by willing to lend for minely more than 10 or 15 ng capital costs and ves of 30 years and more, in most efficiently funded pull debt that does not entire repayment for 20

■ Project finance: by Louise Lucas

The scent of change in the air

The 144a market could offer a new, encouraging way forward for risk loans

Recent years have been frustrating ones for bankers trying to finance power projects in Asia. China's move to cap returns to foreign investors and withhold foreign exchange guarantees effectively put the potentially biggest power market

Investors in India were spooked last year when the state of Maharashatra suddenly revoked a contract previously agreed with Enron for the construction

of a power plant. But hankers believe change is in the air. A number of transactions across Asia have been successfully completed, suggesting the

needs of investors and governments are beginning to dovetail. China's healthy foreign reserves are luring investors back into the mainland. And a pilot buildoperate-transfer model is ng tested in Guangxi, one of China's poorest regions.

Possibly more important still are the new pools of capital being accessed. "The capital markets are opening " says Mr Will Rathvone, head of project finance Asia at Bank of America in Hong Kong. "Before there were only banks, which was a limiting source for transactions. but in Indonesia the 144a market was used for one of the tranches of Paiton II

power plant."

The 144a market is a US bond market, with paper sold to a small number of professionals who understand the risks -a pool of around 50 insurance companies. The structure differs from that of a traditional bank loan, where the principle has to be repaid almost immediately after operation starts - thus reducing the amount of money for shareholders. Instead, with a 144a the term tends to be longer 12 years) and repayment is usually heavily weighted towards the back end. so shareholders can receive

Although there have only been a handful of 144a issuances to date, predominantly in Indonesia and the Philippines, most bankers reckon it will become an important source of funds in the future.

There are advantages on both sides - just as shareholders receive their payouts earlier (which, given the time value of money, can also mean bigger returns). so, as far as the banks are concerned, it uses up less capital and hence does not

require big balance absets. This makes it particularly attractive to some of the US banks, which do not have big balance sheets and prefer to be able to turn over their capital obligations quickly as possible. With 144a's, the banks are only underwriting the issue for a few weeks.

The disadvantage - and one of the key reasons why 144a issuances will not disin termediate the traditional project financiers - is less flexibility. Mr Mark Muldowney, director of corporate and project finance at BZW Asia, says money usually has to be drawn down in one lump sum, rather than in stages as needed to pay contractors; and that being paper sold to US investors "the presence of a major US name in the transaction is not critical, but very impor-

way the bonds are structured - long term financing with the capital at the end - the creditworthiness of the important. It is partially for this reason that some bankers reckon the market will prove less suitable for China. especially in the poorer prov-inces, and in India where the state owned electricity com-

panies are often seen as poor gage law raises a question credit risks. Mr Takumi Shibata, presi-

dent and chief executive officer of Nomura Project Finance in Hong Kong, agrees that the trend will be for more capital market related transactions, but notes that investors will be selective. This is likely to catapult projects in the ASEAN countries to the top

of the pile - particularly those in the fast-growing economies of Thailand and indonesia, and the Philip-

If the capital markets are seen as unlikely to absorb paper from China power projects in the near term, so too are many of the banks. The China equation contains too many risks for many; moreover, as one project financier says: "China is not the only country trying to attract capital and at this moment in time I'm not sure they sufficient to deter, among offer the best opportunities for capital."

The key problems for financiers of projects in China include: • the absence of foreign

exchange guarantees. To some, this concern has been mitigated slightly by China's about convertibility of the currency on the current account by December 31, and the country's healthy foreign reserves of \$90.8bm (at end.)

July): which underpins the contracts upon which project financing is reliant. Specifically, the absence of a mort-

mark over bankers' ability to ess mortgaged assets: • the creditworthiness of the China counterparties. Banks require assurance that the municipal or provincial government is able to pay investors, even if the electricity is not all sold;

 changing goal posts on projects. Flouting bankers' desire for secure revenue streams. China insists on renegotiating tariffs each year, effectively neutering the original "agreement" and raising doubts over the project's financial viability since tariffs or tolls are not simply linked to the relevant

costs (such as local inflation) but subject to change; and caps on rates of return. It is still unclear if China officially imposed a cap on the returns available to foreigners, but talk of a 15-18 per cent ceiling was others, Hong Kong-listed Hopewell Holdings from pursuing projects in China and instead channel resources into Indonesia, Pakistan and

the Philippines . Notwithstanding, Mr Muldowney reckons the 144a market could prove the catastated intention to bring lyst for the mainland, which clearly has a need for more electricity: Price Waterhouse calculates that in the power industry alone new generating capacity of 12GW-15GW per year must be commis-• China's legal system, signed in order to satisfy an annual demand growth rate of 8 per cent-translating into an investment of close to \$100bn by the year 2000.

II Taiwan: by Laura Tyson

Private sector at the door

The dismantling of Taipower is complicated and could be at least a the end of 1995 was 21,900MW, and the reserve

Taiwan is taking steps to dismantle a long-standing state monopoly on the domestic energy industry by allowing the private sector to participate in power sup-ply and oil refining.

Privatisation of the two government enterprises that monopolise the industry, Taiwan Power (Taipower) and Chinese Petroleum Corp (CPC), is at least five or ten years away. Liberalisation of the oil refining market is panies are now allowed to build and operate oil refineres without restrictions.

By the end of 1998, the Formosa Plastics group, Taiwan's leading private petrochemicals concern, will have completed a diversified Curbs on private sector oil imports remain but are likely to be lifted in a few

Privatisation of electricity setbacks. In 1995, eleven consortia were granted licenses to build the island's first private power plants. These so-called independent power producers (IPPs) were supposed to supply an addi- lacking in indigenous energy tional 10,300MW of power resources. "Therefore our when completed, but indus- policy is to ensure stable try experts say fewer than half of the eleven projects are proceeding smoothly and several may never be built. Taiwan is under pressure

consumption has risen at an average of 6.4 per cent a year for the last two decades. Total installed capacity at margin was just 4.7 per cent. This was expected to rise to 5.4 per cent this year, but it remains far below the ideal level of 20 per cent in an isolated system such as

Taiwan's, officials say. Mr Richard Hau, vice president of Taipower blames difficulties in land acquisition and protests by local residents for the slow pace of energy supply development. "After Taiwan became democratic, the social and political situation changed draproceeding relatively matically," Mr Hsu says. smoothly, and private com-"Environmental awareness became popular and all of a sudden we were facing lots of obstacles. Everyone wants to enjoy the benefits of elecpower plant in their back yard."

Protests against the petrochemicals complex island's planned fourth nuclear power plant have halted construction for years. Earlier this year, opposition lawmakers overturned the plant's budget in generation however has had a surprise vote in the national legislature.

Mr Yi Hung-ting, secretary general of Taiwan's national energy commission, stresses that Taiwan is a small, densely populated island supply and to diversify our sources of energy," he says, adding that Taiwan looked to Japan as a model for its energy development policies.

plants, the government buffers against rises in fuel opened the market to IPPs last year. From scores of applicants, eleven groups consisting of leading domestic husiness concerns, mostly in partnership with foreign companies, were awarded licenses to build power plants.

Mr Hsu warns however that this will not solve the underlying problem. "The presumption is that private sector groups should be able to acquire sites and the right-of-way to build transmission lines more easily than Taipower, but in reality they face the same difficulties." he says.

The IPPs say they face another serious problem: money. They say that under the terms of the contract with Taipower - known as the "power purchase agreement" - it is practically impossible to get international financing for the projects. An association formed by the IPPs has retained legal counsel and is currently negotiating with Taipower to make terms more attractive to international lenders.

An adviser to one IPP said the contract was a "one-way street" in favour of Tai. power. "We have to guarantee many things but we get no guarantees in return," he says. For example, the IPP must promise to provide a specified amount of electricity to Taipower, but Taipower offers no guarantee of how much electricity it will buy from the IPP. Another problem is that there is no foreign exchange guarantee in the event of large fluctua-In an effort to expedite tions in the local currency,

costs. The government is reluctant however to change

the terms of the agreements. Draft legislation which would deregulate the power industry has been pending in the legislature for a number of years and it will likely be several more before it is passed. Under the proposed law, Taipower's monopoly on electricity generation, transmission and distribution would be lifted. Taipower hopes that its present responsibility for ensuring power supply will be removed as well. But the government may decide to extend Taipower's responsibility for another ten or fifteen years until the industry has stabilised and the rules

of the game are established. "In case the independent power producers cannot come on line quickly enough, Taipower is still left with the responsibility to supply the country's needs," says Mr Hsu. National security takes priority over market forces. Not until the reserve margin is significantly improved will the market be opened to free competition, he says. Only then will Taipower will be free to operate on a more commercial basis, with each business unit being treated on its own economic merit.

Privatisation is also a prerequisite to greater efficiency and free competition. "We are so heavily regulated. There are too many strings attached. We just could not operate as a business enterprise," Mr Hsu says. Whether Taipower will be privatised as a whole or broken down first remains to



Hydroelectric power: by Frank Gray

Environmental

rather than cost

The consumption of

hydroelectric power in Asia

is experiencing double-digit

growth, and looks like con-

tinuing this way well beyond

the millennium, thanks to

major hydroelectric schemes

planned or under way in

China, India, Nepal, Malay-

According to BP, in its

annual review of world

energy, Asia consumed a

record 45.2m tonnes of oil

equivalent (mtoe) in hydro-

electric power last year, a

rise of 10.3 per cent over the

growth is expected to con-

factors have

caused most

controversy

sia and Laos.

The second secon

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Hopes and prospects

The best strategy is a network of partners which includes other manufacturers

For manufacturers of power engineering equipment. Asia is the land of hope and disappointment. Hope because it is seeing the greatest growth in demand for electricity and for generating equipment. Disappointment because orders for that equipment are often secured only after long delays and on tough terms.

demand for power generation equipment, according to equipment makers. Projections of Asian countries'. makers. The trouble is that this glowing prospect has attracted all the leading international equipment tory in Indonesia. makers to the Asian market, giving the customers the whip hand in determining

The manufacturers have made things worse for themseives, by accepting orders today at low or non-existent margins, hoping to recoup profits in the future from servicing and spare parts. After seeing prices fall by 10-15 per cent a year in the 1990s, makers are hoping that the market could begin to stabilise in 1996.

After years of complaining about overcapacity in the jin, making equipment for industry, they are finally hydroelectric schemes, and taking action. Westinghouse of the US earlier this year closed its factory at Pensacola, Florida, with the loss of 650 jobs and transferred output mainly to its plant at Charlotte, North Carolina.

Westinghouse says no capacity has been lost because it is simultaneously expanding its facilities at Charlotte, but rival makers say it will reduce Westinghouse's overall production privately-financed coal-fired capabilities.

In the UK, Rolls-Royce announced that it was putting up for sale its large steam turbine business. including Parsons, the tur-bine maker and one of the legendary names of British While engineering. White Rolls-Royce said it was confident of finding buyers, it set aside £248m. to cover possi-

ble closures and the loss of 2.500 jobs.

These moves come in response to the financial pressures imposed by tough competition. Last year Westinghouse, which is one of the top six makers dominating the industry, posted a the Three Gorges hydro-szorm loss in its power project, which could systems division, including write-offs. The other five integrated manufacturers - GE, ABB, Siemens, the Anglo-French group GEC Alsthom, and Mitsubishi Heavy industries - saw their margins squeezed. Only ABB increased its declared profits from power engineering - by just 4 per cent.

his year is expected to be slightly improved better due to further cost-cutting. For close rapport not only with example. GE is embarked on potential customers but also a major overhaul of its power systems division following the sudden replace ment last year of its president by Mr Robert Nardelli, the former chief of GE's transport equipment busi-

These projects are, in general, state-sponsored, such as the gigantic Three Gorges scheme on China's upper Yangtze River, but increasingly private sector partnerships and funding are being mobilised to support these undertakings. In addition, increasing attention is being given to private sector construction of small, run-ofriver hydropower schemes in such mountainous areas as

northern Pakistan The drive for more hydro projects is population-led - China and the Indian led - China and the Indian
subcontinent have a total
population of 2.5bn, ten
times that of the US. But at
in the world - has been 300,000MW of capacity, the two countries have just half the electricity supply of the

year before. This rate of Despite the high capital tinue, which means that, by costs and long construction 2000, Asia's hydropower contimes, hydropower schemes sumption could rival that of are a subject of constant North America, the world analysis in those Asian

Equipment sales: by Stefan Wagstyl

ness. Mr Nardelli's mission is to improve returns at the

world's biggest power generation equipment maker. Also, there are some signs that companies are trying to raise margins slightly in bidding for contracts, notably in China, which accounts for about half the Asian market. Chinese bidding contests

have been particularly fierce, because all the large integrated groups have seen the country as their top market and have been willing to sacrifice margins for establishing their presence. Each group has blamed its rivals for driving prices to sub-eco-Asia accounts for about nomic levels. This year, they half the world's expected are trying to edge prices higher. They may be succeeding but it is too early to tell.

At the same time as comelectricity needs suggest this peting on price, the makers could mean up to are strengthening their ties 1,000,000MW of new capacity with the region by building with the region by building by the year 2010, worth per-factories and establishing

> For example, ABB has this year announced the building of a power equipment fac

In India, ABB and Siemen are both expanding substan tial existing manufacturing operations, in response to the emergence of independent power projects. in China, Westinghouse

last year won a hotly-contested auction for a joint venture with Shanghai Electric Corporation, the country's largest power plant maker. The group plans to invest \$100m in modernising the Shanghai factories. GEC Alsthom has a joint venture in the northern city of Tiananother in Suzhou manufacturing switchgear. The group also has a joint pro-duction agreement with BZD, a leading turbine

maker in Beijing. Those companies which show the most commitment to individual national markets tend to get the rewards. Siemens is celebrating its success in the \$1.6bn Jawa Power project for a 1,220MW station in Indonesia. The German group is both an equity investor and the main

equipment supplier. In Malaysia, ABB beat rivals to the controversial \$5.4bn Bakun bydroelectric dam scheme, which will be carved out of the Borneo jungles.

In India, work was expec ted, after the government's final go-ahead, to resume on the Dabhol independent power project near Bombay, where GE is the main equipment supplier.

In China, manufacturers are lining up for what will create orders worth \$30bn. The potential bidders include a consortium led by Siemens and GE Canada, a second headed by ABB and GEC Alsthorn, and a third led by Mitsubishi Heavy Industries.

While the risks in becoming involved in such huge projects are big so are the The financial performance potential rewards. For equipment suppliers, the name of the game is to establish a with possible partners. including other manufactur-ers. This spreads the technical and commercial risks whilst still leaving the manufacturer with direct access

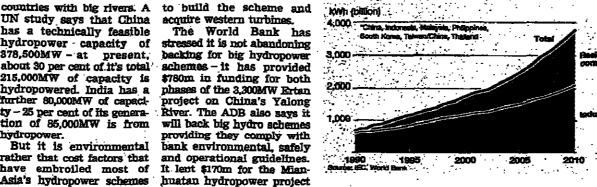
UN study says that China acquire western turbines. has a technically feasible hydropower capacity of 378,500MW - at present, backing for big hydropower about 30 per cent of it's total schemes - it has provided 215,000MW of capacity is \$780m in funding for both hydropowered. India has a further 80,000MW of capacity - 25 per cent of its genera-

hydronower. But it is environmental rather that cost factors that have embroiled most of Asia's hydropower schemes in controversy - some of them sensational.

tion of 85,000MW is from

last year. Rivalling Three Gorges in controversy is the 2,400MW Bakun hydroelectric project to be built in Sarawak. The \$5.5bn scheme is being sponrefused support from the US sored by Ekran Berhad, Export-Import Bank and owned by timber entrepre-neur Ting Pek Khiing. The Japan's Export-Import Bank (Jexim). The US Exim's scheme was conceived in the 1970s but was shelved in the refusal is based on concerns 1980s as impractical. Ting restored it, thanks to a vital about resettlement of those displaced (estimated at 1.1m people at least), water treatpower purchase agreement ment, danger to wildlife and deforestation. For similar with Tenaga Nasional Berhad, the state-owned power reasons no support is expecutility of Malaysia, which ted from the World Bank or has agreed, under pressure, the Asian Development Bank. This is putting pres-sure on the Chinese authorito buy Bakun's power output. That power output will be supplied via a record ties to institute tariff rises length 670km subsea cable, and to plan bond and share to be owned by the project issues to raise financing for consortium. the Yn240bn (\$28bn) needed The remoteness of the

Final electricity demands in Industrial and residential/commercial sectors*



will cause, and the fact that it will create a reservoir the size of Singapore have embroiled Ting in courtroom battles with environmentalists. ABB, the European consortium, has been named turnkey contractor, but it has yet to sign a firm contract pending the outcome of the courtroom disputes. While Bakun is technically a private sector scheme, it is so dominated by one individual that is is not considered a model for privatisation.

controversial hydropower project scheme for Malasyia. Tenaga Nasional will soon take delivery of the 400MW Pergau Dam scheme, near-ing completion in northern

Malaysia. This scheme bene-

ject, the deforestation it fitted from a record £234m in UK concessional finance from the Overseas Develop-

ment Agency. The World Bank nervousness over big hydro projects stemmed from the row that arose over its sponsorship scheme of the 201MW Arun III hydropower scheme in The Bank had pledged \$175m in backing for the dam, but shelved the plan last year because of doubts that the Nepalese economy could support it.

Nepal's hydropower potential is also closely watched by India, which needs the output. The two countries recently signed a treaty for the development of the Mahakali River, under which India will treble its Tanakour power dam.

Last month, Australia's Snowy Mountains Engineering Corp called for "expressions of interest" from Indian customers in lifting power from the proposed 750MW West Seti River near the Nepal-Indian border. The project is subject to an environmental impact assess-

The ADB contributed a \$161m, two-tranche loan to Nepal to help finance the Kali Ghandaki hydropower project and the Himal power project, which will boost Nepal's power supplies and provide it with capacity to sell to India.

India's environmental problems, centring on dislo-cation of tribal peoples around the Narmada Dam project, appear to be easing. The 1,400MW multi-dam project will cause the displacement of 100,000 people. The World Bank withdrew funding for the scheme several years ago after an inter-national furore, but the New Delhi government said it would press ahead with the scheme.

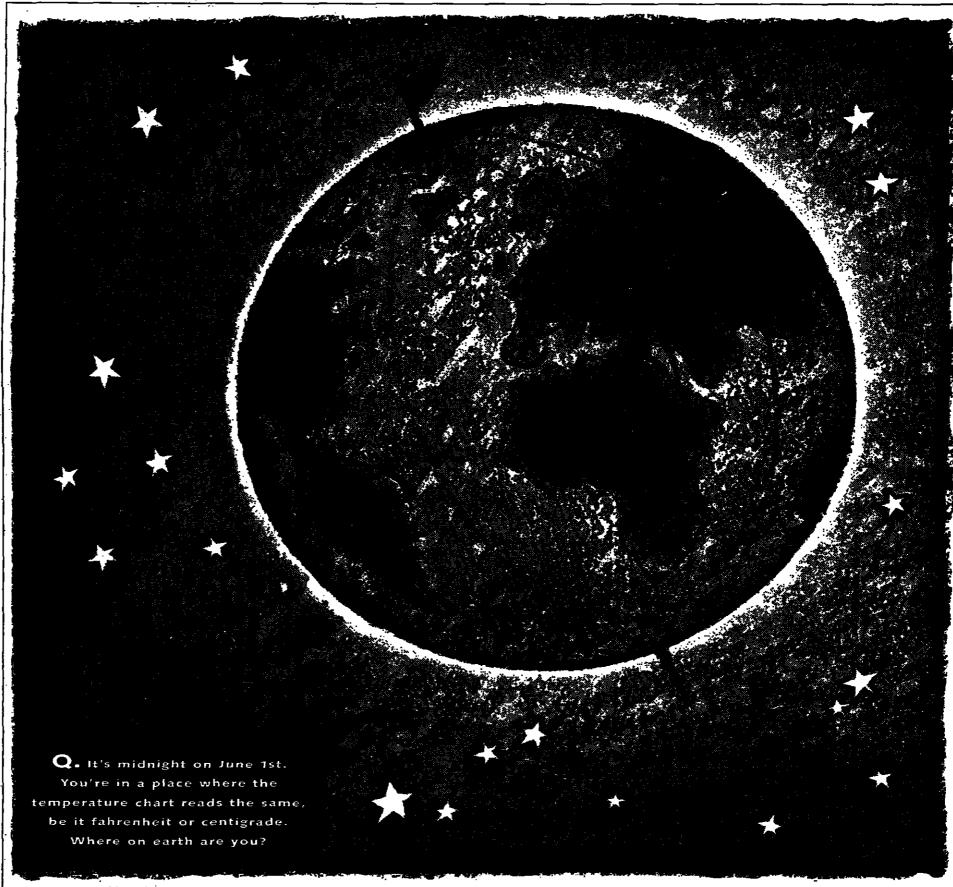
Chief ministers from the four states affected by the project - Gujarat, Rajasthan, Maharashtra and Madhya Pradesh - have agreed to reduce the height of the dam to 436ft from 455ft, thereby lowering the potential reserofftake to 70mkWh from the voir level and reducing the newsletter

impact of the dam on local peoples.

Meanwhile, the Central Electricity Authority recently gave approval in principle for construction of the 1,107MW Alamatti dam in Karnataka State, to be built by the private sector Chamundi Power Corp. The project is still troubled by disputes over reservoir levels and water supplies to neighbouring territories, and final approvals still need to

be agreed. Thailand itself has virtually abandoned all major dam projects on its own territory because of environmental opposition but it is counting on supplies from landlocked, and underpoputhe \$280m, 210MW Theun-Hin dam and the \$1.4bn Nam Theum 2 project. Thailand's Electricity Generating Authority (EGAT) has finalised a 25-year agreement to buy power from the plant, which is being backed by the ADB and is sponsored by Electricité du Laos (EdL), MDX of Thailand and Nordic Hydropower. The World Bank proposes to help fund Nam Theum 2, but will not go abead until the Bank is satisfied that all alternative sources of electricity supply have been examined.

Frank Gray is editor of Power In Asia, an FT energy



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Growth rate powering ahead

demand for new units, this energy sector still suffers from a bad image

Asia now stands out as the single most important region for growth in the nuclear power sector. This observation was made to delegates at the recent annual meeting in London of the Uranium Institute, the nuclear sector's global trade organisa-

According to Mr. John Taylor, chief executive of British Nuclear Fuels, world nuclear capacity is expected to increase by 10 per cent to 15 per cent by 2010, but in Asia it is expected to double. He cautioned that the sec-

tor required long lead times to select sites and gain approvals, which meant that, despite growth in Asia, the world share of energy supplied by nuclear by 2010 would decrease from 7 per cent to 6 per cent.

South Korea plans to boost its nuclear units from 11 to den, thanks to the still-reso-27, with the three-unit Wolsong complex to go on line between the year-end through 1999. Indonesia the US in 1977. could start construction of

ing reactors and 13 more planned, led by the recently approved two-unit Frenchbuilt complex at Ling Ao, north of Hong Kong. Taiwan recently decided to

boost capacity from six reactors to eight with a go-ahead to General Electric of the US to develop a site on the northern tip of the island. According to Tokyo Elec-tric Power, Japan's capacity now stands at 49 reactors -30 per cent of all power in Japan comes from nuclear reactors - with four either having reached "criticality" or under construction and a further six being actively

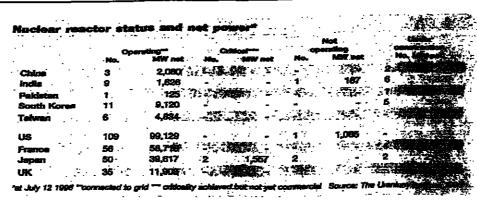
By comparison, Europe, which has 215 nuclear reactors, about half the world total, will see 13 new units completed in the next three years with a further six planned for completion after the millennium. After that the outlook is flat, with nothing new planned for the Americas, the UK or Germany and an actual phasing out being considered by Swenant alarms of the Chernobyl disaster in 1986 and the Three Mile Island scare in

its first reactor by 1998. about Asia are further but- to 14,000MW.

considering nuclear power as part of its long-range energy plan. Nuclear power was considered several years ago but was "permanently suspended. It re-emerged in July with an announcement that the Thailand cabinet had appointed a 21-member committee to examine the issue. What is being considered is the installation of a 6,000MW complex. Such a study would take several years and, if nuclear is given a go-ahead, nothing would materialise in terms of a firm commitment before

Nevertheless, Thailand's re-entry into the Asian nuclear debate means that it now joins Indonesia as a potentially new participant. The Jakarta government has indicated that construction work on the country's first reactor could start by 1998, with first power from a proposed 1,800MW complex by 2004. The optimism is based on a feasibility study by Newjec, a Japanese consultancy, which favours a site for the complex on the Mt Muria peninsula in central Java.

Officials say the Mt Muria Mr Taylor's observations site could be suitable for up



Nevertheless, officials say

that an Indonesian and pos-

sible Thailand go-shead may

encourage other Asian devel-

oping nations to consider

nuclear power. Until China

came aboard with its own

Qinshan 300MW complex in

1993and the Anglo-French

complex at Daya Bay, the

only other example of

nuclear was the ill-fated Westinghouse-built Bataan

complex in the Philippines.

The site was mothballed in

1986 after the fall of the Mar-

cos government and is being

prepared for conversion to a

1,500MW gas-fired power

Delegates to the Uranium

Institute's forum were reminded that the sector still

suffers from a bad image.

"The demand for 'safety'

measures and a constant

tightening of the regulatory

position has raised nuclear

generating costs," said Mr

complex.

Indonesia's National Atomic Energy Agency (BATAN) sees active nuclear capacity of 7,000MW by 2015, rising to 14,000MW by 2020. Nuclear, by then, would account for 20 per cent of all Indonesia's power capacity. Various consortia are fighting for position in the race for Indonesia's first complex. They are: Westinghouse/Mitisubushi/Samsung;

Atomic Agency of Canada;

GE/Hitachi/Toshiba/Mitsui;

ABB/Korea Electric Power; Framatome; and Siemens.
The nuclear programme still requires formal government approval-it is being sternly resisted by the Indonesian Forum for the Environment, which questions the safety of the Mt Muria site and the country's ability to observe the intense safely and operational standards required of the nuclear sector. The group is concerned too that the government has

resisted any public debate of

regulations may continue to

become more restrictive has raised perceived risks about the long-term costs of decommissioning and the treatment of wastes." The image problem

emerged recently in Japan, when a local referendum in the northern town of Maki resulted in a "no" vote in reaction to a proposal to build a nuclear power plant in the town. Anti-nuclear erendum should be construed as a verdict on Japan's aggressive nuclear construction programme. In addition, five other local governments have already passed bylaws to hold referendums on planned nuclear

Prime Minister Ryutaro Hashimoto said that Japan had to consider nuclear as a main power source "given that we have no alternative."

Frank Gray is editor of "Indeed, the feeling that Power In Asia, an FT energy ■ Indonesia: by Manuela Saragosa

Demand whets private sector interest

The award of contracts is not transparent but on a project-byproject basis

There are some valuable lessons to be learnt from Indonesia's experience of introducing private companies into power generation. Ever since the privatisation program for power generation started in 1990, solicited and unsolicited projects have poured into the coun-

need about \$11.5bn in private power investment for power sector expansion over the next ten years and investors' appetites have been whetted by the rapid growth in energy demand. Industrial demand has

been growing at about 25 per cent per year and with a population of nearly 200m, the state electricity utility PLN's installed capacity of 14,970MW, and low per caput consumption of 380kWh per year, rapid demand growth is expected to continue well into the future. "The role of [private] power projects will become significant from 1998 onwards and will be growing rapidly in the years thereafter," says Mr Djiteng Mar-

sudi, PLN's president. Brownouts in urban centres have mostly become a thing of the past. But industry executives warn that unless PLN works rapidly over the next few years to improve its transmission and distribution system, the time and energy being devoted to getting private power projects off the ground could prove futile.

Industry analysts say many private power projects which have been finalised are not necessarily the most efficient or cost effective, raising questions about PLN's ability to survive its obligations to buy the elec-

tricity they will generate. The closest private power projects come to a government guarantee of PLN's obligations is a so-called "soft-comfort" letter from the ministry of finance which states that PLN, as a public utility, is supposed to buy electricity from private power plants. That satisfied financiers who were probably aided by the belief that the government will not allow the cash-strapped PLN to be declared insolvent.

In addition, the system of awarding contracts for proiects is not transparent - competitive bidding is rare - and there are hurdles to finalising contracts which are difficult to overcome without a politically wellconnected local joint-venture partner. Rather than establish a regulatory framework within which the government decides which projects are viable, implementation has proceeded on a projectby-project basis. "Deals are awarded on the basis of who you know," says one indus-

try executive. Paiton L the \$2.5bn coalfired 1,230MW project awarded to a Mission Energy-led consortium of Mitsui & Co. GE Power Funding and Batu Hitam Perkasa in which the prominent bustnessman Hashim Djojohadikusomo has a stake, was

power "experiment" Negotiations to finalise its financing and conclude a power purchase agreement (PPA) with PLN dragged on for two and a half years. Palton I set out that PLN must buy at least 83 per cent of the plant's capacity whatever the demand for electricity - termed a take or pay clause - at a PPA rate of \$0.0856 per kWh for the first six years, coming down

eventually to \$0.0004. The project was aimed to set a benchmark for the industry, although many criticised it as being too large and complicated. PLN has since been successful in bringing prices down in PPAs agreed, partly because competition for projects has been so intense.

But it is Hong Kong's Hopewell Holding's unsolicited offer for a power plant in east Jawa which perhaps best demonstrates the problems of a project-by project approach. Hopewell's CEPA fell out with its original joint-venture partner, failed to secure a coal supply agreement and ran into problems with land acquisition for the site of their plant, forcing the project to be delayed. Recently PLN, which considered CEPA's PPA too expensive, asked the government to cancel it.

But CEPA has powerful joint-venture partners and even President Suharto has urged a quick solution to the project's problems. PLN and CEPA may well go back to the negotiating table to secure a new PPA. The \$1.8bn power plant, to be called Tanjung Jati B, will have two 660MW generating units, was originally set to sell PLN electricity at \$0.0735 per kWh. That has reportedly been lowered to \$0.0639 but the new offer has yet to

be made in writing. Even if these kinds of projects eventually come on stream, there is concern that PLN will face transmission bottlenecks. Unless investments are made to resolve these bottlenecks and if demand growth is less than expected, PLN's take-or-pay contracts will force the cashstrapped organisation to buy power from private plants while reducing generation at its lower cost hydroelectric

and coal-fired plants. PLN has capital expenditure requirements of around \$3bn to \$4bn per year, part of which is earmarked to come from cash raised by publicly listing the company's two power generating units for Java and Bali - Genco I and Genco II - next year.

Critics say that as the power sector is privatised. PLN must become a commercially viable operation. Yet as long as electricity tariffs are set by the president, this is difficult. At present the tariff structure is uniform throughout Indonesia with cross subsidies between regions and does not reflect the cost of providing the ser-

PLN's Mr Ditteng says the uniform tariff is part of PLN's social mission necessary to "unite the country" - Indonesia, after all, is not a homogeneous society. Critics retort that no-one has ever determined what PLN's cost of service is in each region so that it is unclear what subsidies the state-Indonesia's first private owned utility can afford.

■ Transmission and distribution: by Simon Holberton

planned.

Putting right a faulty key connection

Pakistan has been radical in opening its grid to foreign investment and

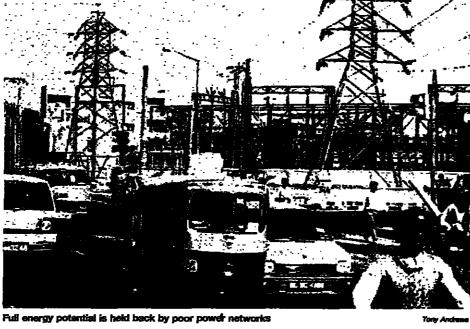
ownership Transmission and distribution, two critical areas of any countries electricity supply industry, have been the poor relation in Asia's headlong rush to mod-

ernise its power industry. While investment in generation remains the key priority for Asia's governments, there are signs that some governments are beginning to address the needs of their transmission and distribution systems as well.

Inadequate transmission and distribution systems can prevent countries from realising the full potential from new generation assets, thereby raising the implicit cost of those investments.

The capital requirements for these parts of the industry, though dwarfed by the needs of generation, are daunting. A recent World Bank study* estimates that over the period 1994-2010 seven of East Asia's fastest growing countries - China. Indonesia, Malaysia, Philippines, South Korea, Taiwan and Thailand - will need to spend between \$265bn and **\$3**55bn (in 1992 dollars) on transmission and distribution networks if they are to meet the electric power demands of their economies.

This is a demanding time-table and it is highly unlikely that the countries in question will be able to finance that investment from their own fiscal resources, especially China, which accounts for more than a third of the total required by the seven. Yet private finance for transmission and distribution faces a number of difficulties.



It is often regarded as the "strategic" element in the electricity supply industry, best kept in public ownership. This has meant there has been an absence of legislation designed to regulate the activities of transmission and distribution, and an absence of policies designed to encourage outside participation in those activities.

In addition, this is closely allied to the fact that most of the focus and advice from supranational agencies, such as the World Bank, has been concentrated on introducing private capital into genera-

that Asia is beginning to open up transmission and distribution and experiment with different ways of achrobust and secure transmission network for power. Pakistan, Malaysia and Indonesia are looking at ways to involve foreign capital directly in the ownership and management of transmission systems while the Philippines, one of the first in Asia to harness foreign capital for generation, has decided to retain transmission as a national asset for some time after it privatises its entire generation indus-

Pakistan is perhaps the most radical in pushing back the frontiers of what is possible. In 1994, it introduced laws which streamlined the approval and evaluation processes for independent power projects. Now it is opening up its high transmission grid to foreign investment and ownership. National Grid, the owner/ operator of the electricity grid in England and Wales, is the lead company in a consortium, the Indus Grid

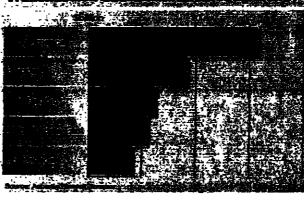
Company, which will build,

own and operate the Indus

grid project. This project consists of a 1,390km single circuit 500kV overhead lines. four new substations and five substation extensions. The Indus project has an estimated cost of \$700m and is due for completion in 1999. National Grid and partners bid for the 30-year concession knowing that the tariff they would earn from the system would be payable in IIS dollars.

Mr Bill Hull international marketing manager for National Grid, says that the returns that can be earned by the Indus Grid Company are similar to those which can be made from other private power projects. "Pakistan has led the way," he says. "They have the lexislation in place to let this sort of investment happen." Malaysia is also looking to

involve private finance in transmission. For its controversial Bakun hydroelectric



east Malaysia, it is offering completely independent the lead generator the opportunity to control 1,330km of 500kV (of which 670km is submarine cables). Some are concerned that

the private ownership of this line could impede the development of a "national" grid in Malaysia. The regulatory authorities have yet to determine whether the owner of the line will have to offer open access on a non-discriminatory basis to other generators which might wish to connect to it.

Elsewhere in south east Asia, Indonesia is looking at involving private finance in some transmission activities as well. Since 1965 transmission has been open to private investment but to date the main action has been in independent generation.

The government is currently assessing proposals but these are understood to be the connection of independent power projects to the existing grid, operated by PT.PLN (Persero), the national power company. The case of the Philippines

offers an altogether different perspective on the evolution of policy in south east Asia. The Philippines was arguably at the forefront of

power projects. It is planning to take matters a step further by privatising virtually all generation in the country as part of a break up of National Power Corpora-

Under current plans, however, Napocor will retain control of the Philippine grid and related substation facilities. It will also operate and maintain the high voltage system, including grid interconnections. It has a capital expenditure programme of some \$3bn which it will invest over the coming 10 The privatisation of trans-

mission - partial or total - is some way off for the Philippines. But the authorities can envisage a situation in the future where separate entities take over the operation and management of the grid, and the co-ordination of

*Masayasu Ishiguro & Takamasa Akiyama, "Electricity demand in Asia and the effects on energy supply and the investment environment, World Bank International Economics Department Commodity Policy and Analysis

Malaysia: by James Kynge

National blackouts no longer a joke

It is likely that capital spending will be above Tenaga's previous predictions

his sense of humour. One of his self-depreciating jokes was to say that TNB. Tenaga's acronym, stood for "Total National Blackout". But as he retired last month to make way for a younger successor, Mr Ahmad Tajuddin Ali, Malaysians said they were hoping that TNB would now mean "Tajuddin No

Reducing the number of outages Malaysia suffers is without doubt the overriding concern of Mr Tajuddin and appointed him. The August 3 blackout which hastened Mr to be paid

Mahathir Mohamad, the prime minister, as a national shame. It was particularly embarrassing because the prime minister had just launched a drive to attract Mr Ani Arope, the former foreign electronics, scannic chief executive of Malaysia's and media companies to invest in a vast high-technol-invest mear Kuala Lumogy project near Kuala Lum-

> On his first day at work on September 2, Mr Tajuddin made it clear that his priority would be to restore Tenaga's reputation, minimise outages, and, as far as possible, keep electricity tariffs low so as to enhance the competitiveness of Malaysian industry and keep the country attractive to foreign Tenaga's new boss said he

recognised that ensuring greater security in the supply of electricity would increase operating costs, but peninsula-wide. 16-hour this was a price which had In a surprise move, he said

that the company would not necessarily push the government to grant it an electricity tariff increase early next Industry analysts had

widely expected that Tenaga would actively push for the tariff bike but Mr Tajuddin said that he would do so only if he was satisfied that all measures had been taken to reduce costs and enhance efficiency in his organisation of some 24,000 employees. It is not altruism which is driving Tenaga. The com-

pany is anxious to please mainly because it is aware that the government is deciding whether or not end its transmission and distribution monopolies as a means of avoiding future blackouts. Several of five Independent Power Producers (IPPs), which were given permission to set up following a major blackout in 1992, have expressed interest in taking on a role in transmis-

country's projected total electricity sales of 38,700GWh in 1996 were ected to be generated by the IPPs - a sharp increas from 1 per cent in 1994.

vernment decision on the future of Tenaga's remaining monopolies is not expected until the end of this year, by which time it will have studied a an review on transmission prob lems currently being carried out by the National Grid Group, a UK power com-But whether Tenaga's

monopolies are broken or not, it is likely that the blackout will spur capital expenditure in excess of the mpany's previous predic-For the three years until August 31 1998 Tenaga has planned to spend M\$6.1bn to

raise its generation capacity

by 2,054MW, M\$9.5bn on

transmission and M\$5.3bn on

set to go on upgrading transmission lines by overlaying a 550kV (kilovolts) grid parallel to the existing 275kV grid, some of which has been in service since the 1970s.

ise I and 1A - to lay the

new gridlines up and down the western part of the Malaysian peninsula - are to be completed by the end of 1997. But it was on the eastern seaboard, at a power station in Terengganu state, that the August blackout originated. A power surge tripped a switch which then triggered emergency closures in all power stations across the peninsula.

Tenaga officials said that work to upgrade transmisboard could be accelerated. Mr Tajuddin also made clear that some overloaded substations will need to be revamped. He said that Malaysia needs to install equipment which localises power failures and prevents the clo-

cascade of shutdowns across the country. Malaysia has successfully

overcome the power short-ages which led to the 1992 blackout. It now has a considerable power surplus but with demand predicted to grow at 15 per cent this year capacity is being planned.

The Pergau hydroelectric wer station, due to come fully on stream in mid-1997, is an example of the country's desire to chart a course away from gas-fired genera-tors toward cleaner, cheaper

Built with a soft loan from the British government, Pergau is designed as a peaking plant to supply electricity for 2-8 hours a day at peak times. Its four 150MW turbines have the ability to start generating almost in required and, unlike thermal generators, maintenance costs are expected to be minimal. Pergau, located in the mountains of the northern state of Kelantan, will be operated remotely from a lowland control centre. Another hydroelectric

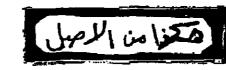
plant, the huge Bakun dam sep in the forests of Malaysian Borneo, is also expect to be a cheap producer. Mr Ting Pek Khiing, who is managing the dam's construction, says he expects the production cost of electricity from the dam will be 2 Malaysian cents per kWh. Transmission costs are, however, expected to be much higher. Tenaga has

agreed to pay 16.5 cents per kWh for Bakun's electricity during the dam's first five years of operation and 17 cents for the next 30 years. Mr Ting says that Bakun which is scheduled to start generating some of its 2,400MW capacity from 2002, will not require debt financing. He said this month that he is confident that the listing of the Bakun Hydro-Elec tric Corp at the end of this the instant that they are year will provide all of the necessary capital to pay for the M\$13.6bn construction

Industry analysts, however, regard this as highly unlikely and foresee a large debt requirement for Bakun. But it may be difficult to raise the necessary loans because of the remaining uncertainties and risks

inherent in the project. Bankers said they are particularly wary of the plans to transmit some 70 per cent of Bakun's output down a 650km undersea cable the longest in the world by far. Some observers wonder if such a long cable can be built, while others think that it may be prone to mishap or possible sabotage. Some bankers say privately that lending to the project may not be forthcoming unless the government guarantees the debt.

The Zurich-based, Swiss-Swedish Asea Brown Boveri group and CBPO of Brazil beat off bids from more than 40 companies to win the engineering procurement and construction contract to design and build the Bakun dam. ABB has also been charged with sub-contracting the cable-laying work, a government official said.



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fan Wagshi

At last, the sell off gets under way

After the Dabhol dispute, power authorities will bargain hard over electricity tariffs

The privatisation of India's electricity supply sector is now starting to get under way after five years of heated political debate and a narrowly averted calamity over the Dabhol power project sponsored by Enron Development Corp of the US.

The debate has centred on such themes as electricity tariffs - an emotive issue in India where power subsidisation is widespread - government guarantees against default, capital costs, the use of imported versus domestic fuel supplies, and concerns about foreign ownership in the power sector.

Despite the arguments over electricity privatisation, no proposal has actually come to a dead end; many developers have been prepared to wait for up to three years for projects to be approved, simply because of the scale of India's electric-

ity requirements. Peak power demand has been rising sharply. It climbed by 1.9 per cent in 1993-94; 4.8 per cent in 1994-95; 6 per cent in 1995-96; and is expected to soar by 20.7 per cent this year to

78,655MW. Long-term pro- and state government power 2001-02, 130,000MW in 2006-07 cannot yield more than and 176,700MW in 2010-12.

The gap between demand and supply is also widening. It was 7.1 per cent in 1994-95, rising to 9.2 per cent in 1995-96 and heading for 14.5 per cent this year. Demand this year will reach 416.2bn kWh against an actual supply of 356.8bn kWh. According to the power supply fore-casts of the Central Electricity Authority (CEA), India will need 554.7bn kWh in 2001-2002 and 726.1bn kWh in 2004-05.

The supply problem is complicated by low use of capacity, just 63 per cent, and high transmission and distribution losses. These are running at about 20 per cent this year, the figure is several dozen percentage points higher when one takes into account faulty billing procedures in the state-run utilities.

Analysts point out that 95,000 villages have no electricity. Consumption per head is 318kWh per year, among the lowest in the world (Singapore's is 5,778kWh). To close the gap, India would have to add 130,000MW in the next ten years beyond 1997. Existing capacity is 83,000MW.

These targets are well beyond the range of federal 40,000MW. As a result, this means that the balance must come from the private sec-

To this end, energy authorities are now either examining or inviting proposals from private proje sponsors for 75,296MW of new capacity. The projects would be built on a buildown-operate basis, in which the private sector would finance the schemes through revenues from electricity

A recent offer has come from Rajasthan state, which wants to hear proposals for the supply of a 150MW power station by the end of September. Tamil Nadu state is calling for the construction by the private sector of 20 liquid-fuel-based power stations, each of 100MW capacity.

Even the central government's Power Grip Corp is inviting proposals for a 2,184MW power station tied to a 10m tonne per year coal mine in Bihar state.

Private sector sentiments are once again high with the return to construction of the two-phase, 2,000-plus MW, naphtha/LNG-fired scheme at Dabhol in Maharashtra state which ran foul last vear of differences between

jects have shown peak authorities and government authorities over privademand at 95,800MW in ments. Their enterprises tisation. Despite the costly suspension of the scheme, the renegotiated deal now appears back on track, which is encouraging to other foreign companies, initially put off by the Dabhol

> The Dabhol dispute has prompted India's power authorities to drive a harder bargain with developers on the issue of electricity tar-

Delhi has also said it will end the custom of providing counter-guarantees (sover-eign risk guarantees) to developers beyond the nine projects, including Dabhol, initially designated for this cover. This will mean more resourcefulness by develop-ers in securing credits to fund independent power schemes - a difficult chal-lenge given the small size of India's debt market.

culty for the private sector of securing guaranteed fuel supplies for power schemes. India's fuel-delivery infrastructure, mainly coal, is inefficient. This has prompted some developers to seek approval for imported coal-which comes in at a premium. And coal-handling facilities at India's ports are

Allied to this is the diffi-

inadequate. The same problem applies to imported gas. India is indebtedness that makes pri-

ous Middle Rastern countries such as Oman, Qatar and Iran for piped gas. The LNG option, as proposed by Enron for Dabhol, is being keenly watched as an alter-

The need to secure offshore borrowings will also apply to electricity transmission and distribution, which has suffered from lack of public investment. It has been estimated that the transmission sector needs \$16.5bn in investments between 1997-2002.

India's showcase project is in Orissa state, where the state government is starting to withdraw from power distribution, leaving management of the sector to private sector Bombay Suburban Electricity Supply (BSES) Ltd, which is setting up a joint venture with the stateowned Grid Powercorp (GRIDCO) of Orissa to own and operate thermal power assets. The project was undertaken with the backing of the World Bank, which has put in \$350m to support power sector structural

Similar schemes are being considered for Haryana. Uttar Pradesh, Rajasthan, Bihar and Andhra Pradesh states, whose state power boards are heavily in debt. It is state power board

capacity and return on

as equal as possible and bal-

ance their different capabili-

ties," says Mr Chanaphun.

As an example, Egat's coal

mining operations may be

joined with the generating

subsidiary that controls the coal-fired Mae Moh power

plant in northern Thailand,

he says. In addition, the

engineering, construction

and maintenance subsid-

iaries may end up being

combined into one company

"We will try to make them

reforms.

· (1896-1996)

vate power sponsors look to New Delhi and to the multilateral aid institutions for support According to the Planning Commission in New Delhi, the state boards had accumulated Rs71.3bn (\$2bn) in losses in the period

to end March 1996. The continuing concern is that the state boards are too often used as pawns by local politicians - power tariffs for the agricultural sector are almost nonexistent. This does not inspire private sector confidence among the independents in the ability to recover project development costs without firm guarantees

This is in contrast to India's existing private sector utilities, which have about 5 per cent of all capacity, but are expanding rapidly. Among them are the Tata group, BSES and CESC Ltd of Calcutta. Sunil Saraf is New Delhi cor-

respondent for Power in Asia,

subsidiaries in order to

increase their attractiveness

to investors.

bidding.

terms of location, fuel type, shares in the new generating

■ Philippines: by Edward Luce

Energy planning

Dependence on imported fuels is to be replaced by local resources, mainly gas

The Philippine power cluding transmission and generation – going into private ownership. The revamp, which, like much of the government's privatisation programme, is driven as much by fiscal pressure as ideological strategy is expected to be a continuous process over the next 25 years.

By 2020, according to the government's energy plan, almost 50 per cent of the country's power generation will come from gas-driven plants fed from the country's recently-discovered gasfields. Oil, meanwhile, will drop from its 56 per cent share of total generation in 1996 to less than five per cent next century. Other indigenous energy sources, including coal, geothermal and hydroelectric power, will make up the bulk of the rest.

"Our basic vision is to eliminate our costly dependence on imported oil and diesel fuels," says Mr Ben-hur Salcedo, undersecretary of energy, in Manila. "By the end of the programme almost all of the country's power needs will be met with local resources of which the largest share will come from gas."

The government's strategic aversion to foreign fuels Whether these new generdoes not, of course, extend to ation companies will be able foreign companies which are expected to build most of the to bid for projects in next round of IPP bidding or new capacity under the whether they will be country's innovative buildawarded new projects that operate-transfer laws. Companies like Cepa (Consoliare already under Egat's dated Electric Power Asia), mandate to build and operate is unclear. But it is which was instrumental in Egat's current plan eventuending the country's brownally to have all projects - exout crisis in 1993 when it cept hydropower - awarded deployed dozens of power barges some of which on the basis of competitive remain in Manila Bay, and

Asea Brown Boveri, the Swedish-Swiss group, are preparing bids.

The second prop of the energy plan, which has so far boosted total capacity from 6,000MW in 1993 to almost 10,000MW this year. is the \$5bn privatisation of industry is in the midst of a the National Power Corporasweeping restructuring tion (Napocor) over the next which will culminate in two years. The sell-off, almost all of the sector—in- which congress is expected to approve later this year, will take place in tranches starting with Napocor's gen-

eration capacity. Under the blueprint, which is being finessed by NM Rothschild, the British investment bank, and Mer-rill Lynch, the US invest-ment bank, transmission will be retained in state hands for several years. Napocor's generation assets will probably be split up into four or five "mixed" companies along both regional and cross-sectoral lines.

The proceeds, which will form the country's largest privatisation so far, will partly go towards the development of a national grid system linking Luzon, the country's most populated island, with the Visayas and Mindanao to the south by submarine cable. The existing cross-subsidy arrangements, whereby Luzon subsidises electricity in the Visavas and residential consumers subsidise industrial users, will be gradually

"The aims of the privatisa tion are multifold." says Mr Fernando Roxas, head of privatisation at Napocor in Manila. "We want to make the energy sector more efficient by putting it into private hands; we want to reduce the taxpayer's burden: we want to spread share ownership and we want to unbundle prices and subsidies in the power sector to make the whole industry more transparent."

Under the emerging blue print, which is expected to be completed by the end of

Continued on Page VI

The task of keeping the lights on

The next round of IPP bidding could shift competition more towards

financing costs With the first phase of Thailand's highly-touted Independent Power Producer (IPP) programme grinding its way towards a seemingly successful conclusion, those charged with keeping the country lit up - despite a 10.4 per cent annual increase in electricity demand for at least the next 10 years - are turning their attention of the IPP proposals that the towards other tasks.

These new jobs include: securing long-term natural gas contracts for electricity producers and simplifying Thailand's natural gas tariff structure; arranging the partial privatisation of the stateowned Electricity Generating Authority of Thailand (Egat); finalising the terms for the next round of IPP bidding; and the determining the fate of future hydroelectricity purchases from Laos

How the details of these new policy questions will be worked out depends a lot on the conclusion of the first power purchase agreements with several IPPs who were short-listed after Asia's largest competitive bidding pro-cess last year saw 30 differinternational 4,000MW of power to Egat between 2000 and 2002.

If the IPPs, Thailand's first, can move into implementation stage quickly enough, then the pressure to meet new demand will be lessened. There is reason for optimism. Power purchase agreements between Egat and some IPPs are imminent, says Mr Piyasvasti Amranand, secretary-general of the country's National Energy Policy Council. Negotiations have gone so smoothly and Egat has been so pleased with the quality response to April's 12 per cent upward revision in projected electricity demand has been to plan to buy more power from the first batch of IPP bidders. Egat is now likely to buy as much as 5,000MW by 2008 and delay the next round of IPP bidding, originally scheduled

point for the four gas-fired IPPs likely to win contracts is natural gas supply and tariffs. The state-owned Petroleum Authority of Thailand (PTT) is the sole supplier and transporter of natural gas and its supply and pricing relationship with Egat has never been legally codified in a way that would make IPPs bankable. So before IPPs can be assured of long-term supply with a consistent price forconsortiums submit propos-

als to supply approximately mula, Egat and PTT have had to formalise their relationship, an arduous process between two state-owned agencies.

But with this issue settled, PTT gas supply appears set to emerge from its legal limbo, making it easier for planners to chop away at its supply monopoly and turn Thailand's pipeline system into a common-carrier one. This would dramatically change what the next round of IPP bidding could look like. Certainties over fuel

supply and cost - as well as a precedent-setting group of bankable power purchase agreements - will shift competition away from technical and legal considerations and more towards financing costs, already on conditions that are a worry to bankers. The market for project financing and electricity deals in Thailand "hasn't taken into account medium-term

for this year, until mid-1997. risk vet." savs Mr Jan Cherim, General Manager of The remaining sticking ING Bank in Thailand. "We're getting maturities we've never seen before and margins that would be unacceptable even in mature European markets."

Still, the spectre of cost containment is pushing Egat towards a grand scheme to reorganise itself into different business units and partially privatise some of its existing and planned generating capacity and other

A group of advisers, lary overpower the others in and they are likely to get including Lehman Brothers, Kleinworth Benson, Finance One and Anderson Consulting are helping draw up a reorganisation plan. As currently envisioned, Egat will be divided into six units (transmission, generation, maintenance, mining, engineering and construction), which will eventually take in private participation, all

overseen by a centralised

agency which will remain

fully under state control for the foreseeable future. By the end of this year. management of the six business units will be autonomous and realistic transfer charged between the different units, according to Mr Chanaphun Kridakorn, Director of Egat's Corporate Planning Office.

Next year they will be corporatised and established as fully-owned subsidiaries and in 1998 they will be listed on the Stock Exchange. Egat is to sell more than 50 per cent of the shares to private investors but retain a controlling stake as it has with Egco, a generating subsidiary spun-off in 1994 in a trial programme.

The generation subsidiary, potentially the most attractive to private investors, is parts and their listings be as early as 1997. But first a delicate process of division must take place, lest one subsid-

There's a power growing in the region.



Pakistan: by Farhan Bokhari

Turning up the power

The government's policies stress privatisation and using domestic fuel sources

The word "load shedding" evokes bitter memories across much of urban Pakistan. Many people remember the time only three years ago when frequent power shutdowns for up to six hours a day in some cities. posed the most serious problem to industry, businesses and every day life. The frequency of those

shutdowns known as load shedding has been cut substantially, largely because of recent attempts to improve the efficiency of existing power plants and the policy almed at attracting new power generation projects from the private sector. Pakistan is now set to resp

the fruit of its successful power policy of 1994, with almost 2,100MW of new thermal power plants worth about \$2.5bn due to come on line by 1998. That would account for almost 20 per cent of the country's present generation capacity.

in spite of recent concerns over the country's investment climate, the new investments promised in the power generation sector are likely to be carried through. largely due to the prospectsof lucrative returns. Investors have been promised an average tariff of 6.5 US cents

per kWh, in addition to exemption from paying corporate income tax.

The plants imported for

new power projects are also exempted from import duties. In addition, investors are allowed to put together a debt/equity package with an 80:20 ratio, under which they are able to seek up to 80 per cent financing from commercial banks and other lending institutions if they provide 20 per cent of their own equity. In spite of criticism that

the new power projects pose a burden on the country's external finances and the economy, many analysts agree that it was important for Pakistan to overcome its recent power shortages. Mr Nasir Bukhari, Chief Executive of Khadim Ali Shah Bukhari, a large Karachi brokerage house says; "You needed a bitter pill in the form of such large incentives, to attack the problem. The power policy was important in meeting the [power] shortfall."

Mr Arif Habib, President of the KSE (Karachi Stock Exchange), the largest stock market, adds: "The power policy has been important because the country couldn't just carry on as it was

However, the government now plans to tighten the power policy by only allowing future projects that are run on locally available fuels such as coal and gas. Mr Shahid Hasan Khan, the prime minister's adviser on economic affairs who prepared the 1994 power policy. says: "In the months to come we will still be issuing letters of support for projects based on indigenous fuel." Other officials say that the government will try to seek lower rates rather than com-

mit itself to the 6.5 cents tar-

But the problems confronting the power sector are far power system from over. Pakistan's power distribution system, run exclusively in the public sec-tor, is plagued by wideinefficient operations and large scale theft of electricity through illegal connections known in local parlance as the kundo. In some areas, the loss of electricity during transmission is as high as 30 per cent. The government's answer

recent announcements on the privatisation of the power generation and distribution systems. Many officials are encouraged by the sale of the 1,600MW Kot Addu power station in central Pakistan to Britain's National Power, earlier this year. The government intends to sell the 880MW Jamshoro power plant in southern Pakistan, by the end of this year. In addition, there are plans for one of Pakistan's eight power distribution boards, the FAEB (Faisalabad Area Electricity Board) which serves the paying for power - at any

to be privatised by June next Mr Naveed Qamar, Pakistan's minister for privatisa-

tion, says, "Privatisation will take care of most of these problems. Private manage ments will neither allow inefficiency nor theft." But many businessmen say that privatising the distribution systems may be the most difficult task in reforming the

The FAEB has 14,000 employees, many of whom have reaped large benefits from corruption. Even spread abuse in the form of though the government has given assurances that there would be no redundancies during the first twelve months after privatisation, it is still not clear if the unions would accept the change of Even if Pakistan's needs in

the short term are met by to the problem has come in the government's efforts, the mated \$50bn in investments over the next twenty years. There is little chance that the public sector, suffering from tightening resources, would be able to foot the bill.

However, private sector flows are likely to depend to a large extent on the state of the country's economy. At present, only 40 per cent of the country's population has access to electricity.

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Hong Kong: by Louise Lucas

Power policy kept on low heat Towards foreign

Changes in policy towards the split between the two main suppliers are now possible

Hong Kong's energy policy, in keeping with the spirit of much of the territory's laissez-faire framework, is minimal: a scheme of control specifies permitted profits as a percentage of net fixed assets and limits tariff hikes, while ensuring supply and demand are matched.

But a submission by one of the territory's two big suppliers to increase its output stands to magnify the gov-ernment's role at a crucial time for Hong Kong – less than a year before China resumes sovereignty.

We generally don't go in for regulating the private sector, we just monitor them," says Mr Eric Johnson, principal assistant secretary in the government's Economic Services Branch (ESB). He adds there is a degree of regulation, "to the extent we feel necessary to ensure that not only do [the private sector companies] have a reasonable incentive to stay in business and to continue to invest, but also to ensure consumers get a fair deal and that we pay due regard to other aspects, for example environmental protection which is becoming more and more impor-

However, that policy is set to be taxed as the ESB deliberates over plans recently submitted by Hongkong Electric, the smaller of the two main suppliers, to build a new power station. Hong Kong Electric, which is 34.6 per cent owned by Mr Li Kashing's Hutchison Whampos conglomerate, is proposing an extension of its Lamma Island plant or alternatively building on new sites in order to meet future forecast

According to Hongkong Electric, which supplies Hong Kong island, Ap Lei Chau and Lamma islands. the government's consultants have indicated agreement with the company's system load forecast and the Rodgers, an analyst with



Hong Kong's Lamma Island: an extension is proposed in order to meet future forecast demand

ing capacity in 2003. Howoversupply could be suffi-

between the two companies

from the massive Central to

Wanchai reclamation project

estates, light industrial factories, and retail malls. the government department which is served by China has verbally confirmed that Hongkong Electric's obliga-Light and Power (CLP). It is this overall demand/ tions are to Hong Kong as a supply equation - as opposed to that on Hong Kong island, whole, and that it does not have a right to supply all which includes some of the demand coming off the wealthiest residential areas and the prime office sites Possible changes in gov-

The government, eager to are being prompted by more deflate accusations of a neatthan Hongkong Electric's ly-split duopoly, insists the desire to build. Changes in Scheme of Control agreethe economy have also ment does not confer excluskewed the fortunes of the sive rights on Hongkong two utilities. While CLP is Electric and CLP to supply, suffering from the ongoing respectively, Hongkong migration of manufacturing factories across the border island and Kowloon. Indeed, there are a few tiny operainto China - which is reductors supplying villages out-side the CLP grid in the ing demand, forcing CLP to delay its capital expenditure programme – Hongkong northern part of the remote Electric expects to benefit

need for additional generat-

ever, analysts say the deci-

sion is not necessarily

clear-cut - in essence.

because of the excess supply

on the Kowloon peninsula,

home to mass residential

- which could lead the gov-

ernment to veto Hongkong

Electric's proposals.

According to Ms Caroline

Merrill Lynch in Hong Kong. and other major developthe traditional policy of ments that will boost planning for the two areas demand for electricity. separately has been purely Thus, if the government for the sake of convenience, and ESB has indicated that

blocks Hongkong Electric's extension, it must either chart a means for it to buy cient reason for changing excess capacity off CLP (which could require com-pensating Hongkong Elechistoric practice. Moreover, tric) or allow Hongkong Electric to make up its shortfall by buying from mainland China. Ms Rogers expects the gov-

errment would go the former route, with Hongkong Electric making a capacity ernment policy towards the historically neat split payment to secure the rights to an equivalent amount of generating capacity. An agreement could be made to reward this investment with an identical return to that of the Scheme of Control, which lays out the financing parameters for the two utilities. This return could then be deducted from CLP's return under its Scheme of Control - an arrangement which could have an impact upon the latter's sharehold-

> Such a solution stands to alienate both the utilities, and would also entail sub

stantial policy changes which could prove unpopular (or at any rate a low priority) with the handover of Hong Kong's sovereignty less than a year away. In this context it is possible the company's relations with Beijing may come into play: Hongkong Electric, through Mr Li, is very close to Betjing and CLP, through the foundations laid by its late founder Lawrence (latterly Lord) Kadoorie, also enjoys good relations on the main-

Beijing could be persuaded that new arrangements undermine the 15-year scheme of control agreements, which essentially ensures customers will have a reliable, efficient and reasonably priced supply. Many analysts reckon that the easiest option for the

government would simply be to ignore the excess supply to Kowloon and give Hongkong Electric the go-ahead. even though to do so may well prove detrimental to the consumers - and they pay for excess capacity - the Schemes of Control are designed to protect.

■ China: by Tony Walker

involvement

The "comfort letters" in the Laibin talks are the key to a vast market

China is edging towards securing greater foreign involvement in its overstretched power sector, but progress is slow and internaional power companies will need to be patient.

Negotiations under way for a 700MW power plant in Guangai region, southern China, are likely to prove critical to foreign ambitions. The Laibin B project is being used as a model by the Chinese for foreign equity participation in the power sector.

The State Planning Commission, which is involved in the approval process for all major projects in China, has said that "standardised guidelines and documentation" used in the Laibin approval process will be applied to other build-oper-ate-transfer schemes not just in power, but in infrastructure generally.

Foreign power companies, therefore, have a big stake in the successful outcome of the Laibin negotiations. Officials involved in the discussions say that difficult issues include repayment guarantees demanded by foreign banks and credit agencies and power purchase arrange-

Stakes are high in a sector which offers enormous potential for equity participation, but has proved a hard nut to crack for investors. Beijing, in spite of a chronic electricity shortfall, has been reluctant to open its doors on terms which might be acceptable to foreign partners.

Much discussion in the Laibin negotiations will be revolving around whether "letters of comfort" offered by provincial governments to support local projects in lieu of bank guarantees will be sufficient.

tors have serious reservations about the value of these so-called "comfort letters", arguing they would not be enforceable legally in the event of a default.

However, the attractions of China are such that foreign companies are bending over backwards to find ways around the bank guarantee problem. A recent study by DRI/McGraw Hill* explains

The study found that by 2015, annual demand for energy in China will climb to 1.94bn tonnes of oil equivalent from 750mtoe in 1993. That is if present policies of decentralisation and price liberalisation continue. Investment required to

meet this demand could reach \$1,000bn, of which slightly more than half would go on electric power generation. Foreign capital would account for 20 per cent of the total. In other words, there is enormous scope for foreign involvement in the power sector if China applies more flexible policies and foreign power companies are able to accept

Pressure on Beijing to exhibit greater flexibility derives from the fact that power supplies fall well short of demand. According to the Ministry of Electric Power's own estimates 15-20 per cent of demand cannot be satisfied. Peregrine, the Hong Kong-based investment bank, says that by 2000 'the electricity shortfall will at best be around 11 per cent of electricity demand; despite the Chinese government's aggressive develop-

ment plans." China expects investment in the power sector to reach Yn690bn (\$83bn) during the Ninth Five Year Plan (1996-2000), 20 per cent of which would come from foreign sources, including "soft

loans' China plans to add 15,000MW a year to the present total of around 200,000MW,

300,00MW by 2000. This would involve trebling capacity between 1987-2000, no small achievement in

Power shortages, especially in the energy-starved southern areas where growth is most rapid, continue to be a drag on the economy. According to some estimates, insufficient supplies shave 1-2 percentage

points from GDP growth.

Mr Shi Dazhen, the minister of electric power, helped in a recent interview to put in perspective challenges facing China with its huge population of 1.2bn set to reach 1.3bn in 2000. He pointed out that while China ranks second or third in the world in installed capacity with 217,000MW (there is debate whether it has outstripped Japan), it is only 80th in terms of consump

tion per head. If it were to reach the pres ent US level of installed capacity per head it would need 2.6mMW of generating capacity, or five to six times its target for 2010 of 500,000MW-550,000MW.

In its efforts to both commercialise and energise its power sector, China has also embarked on an ambitious restructuring. It plans to consolidate all nationallyowned power stations into a national corporation with assets worth Yn400bn.

The new Federation of Chinese Power Enterprises would facilitate the separation of the regulatory functions of the Ministry of Electric Power from the power sector itself. The new vehicle would be used to issue shares and bonds, and raise financing for new projects.

The federation would also be authorised to engage in equity ventures with foreign partners for the extension of existing power stations, or the construction of new

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Little time for

gloomy forecasts

As the economy matures, the company has broadened its

horizons Mr Ross Sayers has little time for gloomy predictions of Hong Kong's prospects. The chief executive of China Light and Power, the territory's biggest electricity company and monopoly supplier to Kowloon, sees continued growth at home, despite Hong Kong's slowing economy, and strong potential beyond its

"OECD countries would kill for this kind of growth," he says, referring to the the that GDP will rise by between 3.5 per cent and 5 per cent per annum to the year 2000. The handover to Chins, he argues, will remove uncertainty in the business environment, and pales besides the significance of power demand on the mainland

and in the region. It is an appealing scenario, with much to support it. But the fact remains that CLP is going through one of the trickler patches of its 95-year history, "The reality is that they will never see the growth rates in Hong Kong that they enjoyed in the past," says Mr Rohan Dalziell, utilities analyst at

ING Barings.

Part of the explanation lies in the maturing of the Hong Kong economy. One of Asia's original export tigers, it no longer records the double digit rises of the 1970s and 1980s and has suffered from weak consumption and retail spending over the past 18 months.

Structural shifts are no less significant. High land costs and inflation have prompted much of the territory's manufacturing industry to seek cheaper production sites, resulting in an exodus across the border into southern China

and elsewhere in the region. The scale of the upheaval is revealed in the statistics. Manufacturing's share of GDP has fallen from 24 per cent in 1979 to below 15 per cent today, while its workforce has halved to below 400,000. As a result, industrial demand for

electricity has shrunk. Although the manufacturing downturn has been offset by increased commercial and domestic sales, CLP has revised its investment plans. The corporate plan drawn up in 1992, projected capital expenditure of HK\$60bn by 1999. That figure was cut last year to about HK\$53bn. Mr Sayers believes further "fine tuning" may be needed, although he rules

out a major revision. Demand in Hong Kong is likely to be supported by economic recovery, signs of which are already penetrating the retail and property markets. There are also significant new sources of revenue in the group's home market.

Chief among these is Hong Kong's Chek Lap Kok airport, which is set for completion by spring 1998. New towns are being built, while the territory's Mass Transit Railway system is also set to consolidate its position as CLP's biggest customer through the launch of new services. But with the maturing of

the Hong Kong economy. CLP has been prompted to broaden its horizons. CLP already has significant investments on the mainland. The Hong Kong group has a 25 per cent stake in the Daya Bay nuclear plant and has a joint venture generation project in Guangzhou Along with pariners which include Electricité de France, CLP has won Beijing's blessing for a major power plant in Shandong, on the eastern coast. Outside of China, the company is progressing with joint-venture projects in Taiwan and India and is examining proposals in

Indonesia and Thailand

It is not an easy business. Rivalry is fierce and the projects are littered with pitfalls. The Shandong plant, which has been under negotiation for almost three years, depends on agreeing a financial structure which can reconcile the consortium's bankers and export credit agencies with China's refusal to provide state guarantees. The strength of competition for projects in the region and the complexities involved may

also cause casualties, says the CLP chief. "I wouldn't be surprised if some of the projects run into difficulties," he says. "Some of the flash Eddies will disappear and the more aggressive and successful of the established operators will become the market leaders."

Despite the obstacles. CLP, says Mr Sayers, has strong cards to play on the mainland. The Kadoorie family, which owns about 34 per cent of CLP, has been active in China since the late nineteenth century, underpinning close contacts between the group and Beijing. The Daya Bay power station remains the biggest joint venture in China, while the Hong Kong group has provided training for hundreds of

mainland technician Such links should help further the group's ambitions on the mainland, They may also buttress its position at home. Hong Kong's handover to China next year has raised the prospect that mainland companies might seek to take stakes in the territory's companies and that lucrative monopolies are particularly vulnerable.

Mr Sayers sees little cause for concern. For him, the direction of business ambitions is likely to point the opposition way after July 1997. "Hong Kong's importance as a gateway to China can only increase after the handover,"he says.

John Ridding

energy plan

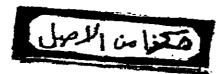
Continued from Page V the year, the newly-privatised companies will be expected to hand over a portion of the ownership - probably 10 per cent - to employees under a share-ownership plan. As part of the govern-ment's drive to promote joint-stock accountability in the private sector, the companies will also be required to list on the Philippine stock exchange within a few

Problems such as resolving the legal status of existing power plants in private hands have yet to be ironed out. Some, notably Cepa, which is the largest foreign investor in the Philippine power sector, are planning to list on the PSE of their own accord over the next 12 months.

Mr Gordon Wu, chairman of Hong Kong-based Hope-well Holdings - of which Cepa is a subsidiary - said that the Initial Public Offering would include all of Cepa's assets in the Philip-pines including power facili-ties under construction such as the 700MW coal-fired plant in Pagbilao. The exer-cise, which would help reduce the company's highgearing ratio, would be repeated around the region.

But Mr Wu said the listing would not go ahead before the resolution of a disagreement between Cepa and Napocor which has been running for over 12 months. The dispute, which started when the government disqualified Napocor from the bidding for a \$2bn gas-fired plant in Batangas last year, has cast a pall over the government's handling of the competitive bidding process. Cepa, which submitted the

cheapest of the eight bids to be put forward in the first round, was accused of breaching Philippine law by proposing to use then-banned Westinghouse Electric gas turbines at the plant. Westinghouse, which, at the time, stood accused of bribery and deception over a mothballed 600MW power plant in Bataan which it built in the 1980s, has subsequently settled with the government out of court.



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****	Netherlands (F) 2.6349 -0.0004 334 - 363 2.8424 2.6312 2.6286 28 2.6168 27 2.891 2.5 107.0	tely (L) 1528.07 +0.17 Lessembourg (LP) 31.1600 +0.03 Netherlands (F) 1.8951 +0.0007	760 - 853 1534,25 1525,34 1532,82 - 400 - 800 31,2360 31,0840 31,105 946 - 956 1,7004 1,6916 1,6918	9.7 1540.97 -9.4 1569.72 -2.3 76.5 2.1 30.9975 2.1 30.495 2.1 106.4 2.4 1.8846 2.5 1.8529 2.5 106.4	Baily 8% 5號 8號 8% 8% - 8.25 8.39 Week ago 8號 8號 8號 8號 8號 - 8.25 8.56 Nethertends 2號 2% 2% 2% 3% - 3.00 3.30 Week ago 2號 2% - 2號 2號 3% - 3.00 3.30
· · · · · · · · · · · · · · · · · · ·	Special (Sir) 1,986,71 -0.052 337 -486 189,046 188,232 188,671 -1.6 199,168 -1.5 200,588 -1.1 50.5 Switzerland (Sir) 1,986,71 -0.052 337 -486 189,046 188,232 188,671 -1.6 189,186 -1.5 200,588 -1.1 50.5 Switzerland (Sir) 1,9267 +0.0063 277 -237 1,9304 1,9186 1,9287 2,1 1,9129 3,3 1,8647 3,3 111.5	Portugal (Es) 154.690 -0.11 Spein (Pts) 127.845 +0.015 Swedien (SKr) 6.6823 -0.0013	640 - 740 153,260 154,470 155,005 - 680 - 660 126,020 127,340 127,896 - 775 - 870 6,7005 8,6734 8,6814	0.5 6.4761 0.5 6.4396 0.7 97.9 2.4 153.595 -2.3 157.74 -2.0 95.4 2.4 128.325 -2.1 129.855 -1.7 80.2 0.2 6.6837 -0.1 6.6566 0.4 88.7	Week ago 28 2¼ 2¾ 28 28 3½ 3.00 3.30
	EGU 1.2417 -0.0004 411 423 1.2483 1.2406 1.2404 1.3 1.2374 1.4 1.2241 1.4 - American	UK 60 1.5544 -0.0009 Eou - 1.2518 -0.0005 SDR† - 0.69220	540 - 548 1:5570 1.5510 1.554	3.4 1.2298 3.5 1.1963 3.6 111.2 0.3 1.5398 0.1 1.5582 -0.1 85.8 0.7 1.2542 -0.8 1.2631 -0.9	Japan 2 14 2 16 5 - 0.50 - week ago 2 15 15 3 3 4 - 0.50 -
	Argentina (Peso) 1.5537 -0.0014 532 - 542 1.5567 1.5508	(-4) 10-0000017			Intertent Pixing - 52 5% 55 64 week ago - 5.15 5.30 5.45 5.77 week ago - 5.15 5.34 5.53 5.90
44: 3 -	(8) 1.5544 -0.0009 540 - 548 1.5570 1.5510 1.554 0.3 1.5538 0.1 1.5582 -0.1 97.3 Paolife/Bilddie Enst/Africa Australia (AS) 1.9598 +0.007 587 - 809 1.9809 1.9478 1.9824 -1.6 1.9674 -1.6 1.9927 -1.7 93.9	USA (\$) Pacific/Nijddle East/Africa Australia (A\$) 1.2607 +0.0052		5.8 7.861 -18.4 9.8245 -28.1 - 98.2 - 98.2 - 1.9 1.2882 -1.7 1.2849 -1.9 95.7	EGU Initiad Da - 44 4¼ 4¼ 4½
And the same of th	India (Re) 55.4922 -0.1099 447 - 396 55.7366 86.2447	India (Pe) 35,7000 -0.05 Israel (Shk) 3,1688 +0.0017 Jupan (Y) 110,425 +0.445	500 - 500 35,8500 35,5500 35,85 - 664 - 712 3,1712 3,1864 380 - 470 110,550 108,990 109,98	0.1 7.7347 -0.1 7.7817 -0.4 - 5.0 36.155 -5.1 37.625 -5.4 - 4.8 109.08 4.9 105.34 4.6 132.8	\$ LIBOR Interbenk thing rates are offered rates for \$10m quoted to the market by four reference basis at 11am each working day. The banks are: Bankore Trust, Bank of Toleyo, Bantleya and National Westminater. Mid name are shown for the domestic Money Rates, US\$ CDs, ECU & SDR Linked Deposits (De).
	New Zeatand (NZS) 2-2345 -0.0029 331 - 356 2.2396 2.2294 2.2395 -2.7 2.249 -2.6 2.2526 -2.2 109.7 Philippines (Pesc) 40.7842 -0.0236 993 - 290 40.8993 40.8993 (SR) 5.8175 Shopeone (SS) 2.1914 -0.0011 904 - 923 2.1836 5.8175	New Zeetand (NZS) 1,4374 -0.001 : Philippines (Peso) 28,2250 - : Saudi Arabia (SR) 3,7506 +0.0001	370 - 380 1,4380 1,4370 1,4405 - 900 - 600 26,2800 28,1900 - 505 - 507 3,7507 3,7505 3,751 -	0.4 2.5055 -1.1 2.529 -1.2 -2.6 1.4463 -2.5 1.4709 -2.3 -0.1 3.7517 -0.1 3.7551 -0.1	
	South Africa (R) 6.9964 -0.0046 907 - 020 7.0146 6.9611 South Korea (Won) 1276.01 -4.24 588 - 634 1280.71 1275.68 Talvan (TS) 42.7421 -0.0208 288 - 554 42.8113 42.6510 Thailand (B) 38.4886 +0.0076 716 - 075 96.5220 39.3460	South Africa (R) 4.5010 -0.0005 South Kores (Won) 820,900 -2.25 Telwan (TS) 27.4975 +0.0025	985 - 035 4.5100 4.4970 4.5485 -1: 900 - 900 824.000 820.900 - 980 - 990 27.4980 27.4910 27.5025 -i	3.0 1,4002 27 1,5748 2.5 2.7 4,6385 -122 4,976 -10.8 - 0.2 27,5075 -0.1	EURO CURRENCY INTEREST RATES Sep 13 Short 7 days One / Three Stx One tarm notice month months months veer
4.4 (1.1 d) (1.1 d)	† Retail for Sup 12. Bidderfer spreads in the Pound Spot table show only the less three decised places. Forward mine are not directly custed to the market but are legisled by current interest rates. Storing index calculated by the Bank of England. Since average 1980 = 100. Index retained 12/26, Bid. Other and Michaeles in both this and the Dollar Spot tables derived from THE WMMRBUTERS CLOSENG SPOT RATES. Some values are numbed by the F.T.		000 - 100 25.4100 25.2900 25.5125 - a in the Dollar Spot table show only the last three nt interest rates. UK, ireland & ECU are quoted in	5.1 25,6825 -4.4 26,32 -3.6 - m decinel pieces. Forward rates are not directly n US currency. J.P. Morgan nominal indices Sep n	Belgian Franc 314 - 212 314 - 213 314 - 3 314 - 314 314 - 314 314 - 314
	CROSS RATES AND DERIVATIVES		FT GOLD MINES IN	DEX	Portuguese Sec. 682 - 861 7-5 - 7-5 7-5 7-5 7-5 7-5 7-5 7-5 7-5 7
other states	EXCHANGE CROSS RATES Sep 13	2 C\$ \$ Y Eon 2.084 4.383 3.208 354.3 2.564	13 29/12/65 \$ts		Shring France 17 12 12 12 17 17 18 0 12 91 91 91 91
ber a tray of the	Denimerk (DK) 53.48 10 8.851 2.865 1.068 2822 2.909 11.13 265.4 219.0 11.47 2.129 France (FF) 60.42 11.90 10 2.833 1.206 2862 3.287 12.57 299.9 247.5 12.96 2.405 Germany (DM) 20.60 3.853 3.410 1 0.411 1010 1.121 4.288 102.3 84.39 4.419 0.820	1.104 2.349 1.716 189.4 1.371 1.247 2.654 1.838 214.0 1.549 0.425 0.905 0.681 72.99 0.528 1.034 2.201 1.907 177.5 1.284	Gold Nines Index (38) 1991.33 +4.1 52.8 III Regional Indices 2831.50 +5.2 14.1 Aminabala (6) 2154.36 -8.1 5.7	0 27,11 3.05 38.96 3553.86 2272.74	Carn. Dotter 44 37. 44 37. 4 - 37. 47 47. 45. 45. 45. 45. 45. 45. 45. 45. 45. 45
# 1	Italy (L) 2.040 0.381 0.388 0.089 0.041 100, 0.111 0.424 10.12 8.354 0.437 0.081 Netherlands (F) 18.38 3.438 3.043 0.892 0.387 901.3 1 3.825 91.23 75.29 3.943 0.732 Network (NK) 48.08 8.986 7.953 2.332 0.959 2356 2.614 10 238.5 196.8 10.31 1.913	0.042 0.090 0.065 7.225 0.052 : 0.880 0.808 0.590 65.12 0.471 0.992 2.111 1.542 170.2 1.232	North America (11) 1790.65 +6.3 32.1		
	Spein (Pts) 24.42 4.568 4.041 1.185 0.487 1187 1.328 5.081 121.2 100. 5.237 0.972 Swedon (SKr) 46.62 8.718 7.716 2.263 0.931 2288 2.536 9.702 231.4 191.0 10 1.856 Switzerland (SFr) 25.12 4.698 4.158 1.219 0.502 1232 1.367 5.228 124.7 102.9 5.389 1	0.416 0.885 0.845 71.38 0.517 0.504 1.073 0.783 86.49 0.826 0.982 2.048 1.496 1652 1.195 0.519 1.104 0.806 89.00 0.844			## THREE MONTH EURODOLLAR (MM) \$1m points of 100% Open Sett price Change High Low Est. vol Open Int.
	US (5) 31.17 5.829 5.159 1.513 0.622 1528 1.896 6.486 164.7 127.7 6.696 1.241 (1984) 1.898 (1.898) 1.241 (1984) 1.898 1.	1 2.126 1.554 171.6 1.242 0.470 1 0.730 80.84 0.584 0.844 1.889 1 110.4 0.789 0.583 1.240 0.906 100. 0.724	LONDON RECENT ISSUE insue Arns Mist. price peid cap 1996 p up (2m) High Low Stock	Close price Net D/v. Grs P/E	Dec 94.00 94.13 +0.14 94.20 93.99 151,883 482,408 Mer 93.84 94.01 +0.18 94.07 93.84 179,295 349,558 ### US TREASURY BELL FUTURES (BAN) \$1m per 100%
· · · · · · · · · · · · · · · · · · ·	Eou 39.00 7.293 6.455 1.893 0.779 1912 2.122 8.116 193.6 159.7 8.366 1.552 (Denish Kroner, French Franc, Norwegian Kroner, and Swedish Kroner per 10; Seiglan Franc, Yan, Escucio, Ura and Peesta per 100.	0.805 1.713 1.251 138.2 1	§100 F.P 100 100 Amer Opp - F.P. 12.4 68 642 †Berbican - F.P. 201.8 196 1825 Daty Cres	stGrp 182½ W9.1 2.7 6.2 7.5	Sep 94.85 7 1,543 Dec 94.81 94.79 +0.14 94.78 94.60 239 3,910 Mar 94.42 94.59 +0.18 94.63 94.42 121 1,379
	E D-MARK PUTURES (IMM) DM 125,000 per DM	·	F.P. 5.17 4 4 †Dentmas §145 F.P. 50.7 246 148 †Bec Ret § F.P. 2.39 53 41 †Frances	ati Sys 241	All Open transest figs. are for previous day
	Open Set price Change High Low Est.vol Open Int. Ell Peased is New York Sep 0.6601 0.8608 -0.0001 0.6629 0.6596 4,857 33,840 Sep 13 Close	FT GUIDE to WORLD CURRENCIES The FT Guide to World Currencies	§100 F.P. 24.4 98 94 House Gw §12 F.P. 0.60 15 12 †Life Num	Sm Asn C 65	
	Mer 0.6700 0.6893 -0.0005 0.6707 0.6887 28 1,153 1 m/b 1.5554 1.5554 3 m/b 1.5554 1.5558 1.5588 1.5558 1.5558 1.5558 1.5558 1.5558 1.5558 1.5558 1.5558 1.5588 1.5558 1.5588 1.5558 1.5588 1.5588 1.5588 1.5588 1.5588 1.55	table can be found on the Markets page in Today's edition.	§ F.P. 0.16 5 2 †Life Num - F.P. 0.44 8 3 Pemberak § F.P. 12.1 70 ¹ 2 69 ¹ 2 †Polydoc §100 F.P. 81.7 98 90 ¹ 4 Schroder 1 F.P. 8.71 39 31 Schroder 1	one Writs 7	RIGHTS OFFERS Issue Amount Latest price paid Renun. 1996 Closing p up date High Low Steck price p +or-
	Sep 0.8071 0.8043 -0.0034 0.8109 0.8035 2.873 19.211 Dec 0.8155 0.8115 -0.0033 0.8173 0.8104 19.030 31.920 May 0.8210 0.8191 -0.0033 0.8240 0.8190 38 959 UK INTEREST RATES		§ F.P. 8,71 38 31 Schroder - F.P. 41,2 376 ¹ / ₂ 343 Schroder §68 F.P. 13.3 70 66 15 Schroder - F.P 89 ¹ / ₂ 65 St James - F.P 73 69 ¹ / ₂ Value Rieb	Em C:C 375+1½	25 Nii 18/9 4pm 1pm Roman 1pm 410 Nii 18/9 123 ¹ 2pm 96pm Stagecoech Hidgs 123pm 123 Nii 18/9 16 ¹ 2pm 11 ¹ 2pm Wylco Group 15pm
	Copen Set price Change High Low Est.vol Open int. LONDON MONEY RATES	One Three Six One month months worths year	† Alternative Investment Market, § Placing or other symbols please refer to The London Sha	foe. " introduction. For a full explanation of all	pm premium.
±4	New 0,0000 0,0001 -0,0004 0,0007 0,0000 181 1,050	54 - 55 54 - 54 54 - 54 54 - 6 58 - 54 54 - 51 58 - 58 51 - 54		· · · · · · · · · · · · · · · · · · ·	
	Sep 1.6544 1.5552 +0.0008 1.5576 1.5512 4.797 28,653 Bank Siles Dec 1.8548 1.5544 +0.0006 1.5568 1.5504 9,768 38,092 Local authority depc. 5 ⁵ 2 - 5 ¹ 2 5 ¹ 12 - 5 ¹ 12 5	512 - 512 514 - 512 514 - 513 513 - 512		·	
**************************************	UK clearing bank base lending rate Sil, per Up to 1 month		intrum (~	j ustitia	This notice is issued in compliance with the requirements of the London Stock Exchange. Application has been made to the London Stock Exchange for the Series A PEROS, which are based on the price of 250
- - 	E PHILADELPHIA SE 2/S OPTIONS 531,250 (cents per pound) Strike CALLS PUTS Price Sep Oct Nov Sep Oct Nov. COPTIONS SEP OCT NOV. COPT	5 ¹ 2 5 5 5 ¹ 4 oels windown for cash 1 ¹ 4pc. v. ECGO fond rate Stig. Export Finance. Make p 25, 1995 to Chr. 25, 1998, Schemes S & H	(Registered in Cur	·	Ordinary Shares of Standard Chartered FLC ("Standard Chartered Ordinary Shares"), and which are issued by Morgan Stanley Equity (C.L.) Limited and goaquateed by Morgan Stanley Group Inc. to be admined to
	1.540 1.35 1.50 2.06 0.20 0.50 Finance House Sees Fains ope from Aug 1, 1980 1.560 0.08 1.47 - 0.52 1.02 1.55		Notice to Sh The Managing Board of INTRUI Organized and existing under the l	M JUSTITIA NV, a corporation	the Official List. It does not constitute an offer or invitation to any person to subscribe for or purchase any shares. It is expected that Listing will become effective and that dealings in the Series A PERQS based on the price of Standard Chartered Ordinary Shares will commence on
100 mg	1.570 0.05 0.18 0.62 1.51 1.72 2.18 SAPER OF ENGLAND THE 1.580 0.05 0.15 0.36 2.51 2.51 Ssp 13 Ssp 6 Previous day's vol., Calls 5,852 Puts 9,220 . Prev. day's open lint., Calls 178,550 Puts 156,235 Bills on offer 2000m 2500m Total of applications 21645m 25255m	Sep 13 Sep 6 Top accepted rate	with registered offices at Chumaco The Netherlands Antilles, wishe decided with the approval of the	eirokade 3, Willemstad, Curação, es to announce that it has been	8,000,000
	Total allocated 2500m 2500m Min. absopted bir 596.625 258.625 Alfotseent at min. levet 81% 85% EARIC RETURN	Average yield 5.5910% 5.6119% Other at next tender 2400m 2500m Min, accept. bld 182 days	an interim dividend for the 1996 share, payable on 1 November 19	financial year of 1.3 pence per 96, at the following addresses:	SERIES A
, - , - , - , - , - , - , - , - , - , -	Wednesday Increase or BANKING DEPARTMENT September 11, 1998 decrease for week Lightweet £ £	<u> </u>	Paying Kredietbank S.A. Luxembourge 43 Boulevard Royal L-2955 Luxembourg		PERQS Preferred Equity Redeemable Quarterly-pay Shares
1. 100 1.	Capital 14,553,000 Public deposits 1,248,471,167 +37,208,219 Berntern deposits 1,847,454,081 -17,760,215 Berntern deposits 3,357,064,703 +168,487,774	ING RATES	Lexembourg Bearer shareholders are asked to	United Kingdom o submit Coupon nr. 17 to the	based on the price of Standard Chartered Ordinary Shares issued by
	Assets Government securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Louding Government Securities 1.508,169,405 +287,578,250 AlB Bank 5.75 Dancan Bank 5.75 Da	Imitted 8.75 Royal Bik of Scotland 5.75	Paying Agents for collection of th Furthermore, shareholders are b Annual Report on the Company's	ereby informed that the Semi- activities and results during the	MORGAN STANLEY EQUITY (C.I.) LIMITED (Incorporated and registered with limited limiting in Jerney
	Anterios and other secs 2,734,031,054 +2,756,571 Bank of Beroda 5.75 eRobert Flore Notes 132,923 -8,610 Banco Bibso Vizogra 5.76 Girobenk Coin 132,923 -8,610 Banco Bibso Vizogra 5.75 eQuinness M	ing & Co 5.75 Scottish & William Secs 5.75 5.75 Scottish Wildows Bank 5.75	first six months of the 1996 finan registered office of the Company, above and at HSBC James Capel &	the Paying Agents as mentioned t. Co. Limited, Thames Exchange,	under the Composites (Ierory) Law 1991) registered number 62160 guinzenteed by
	8,487,542,951 +185,833,778 Bank of tretand 5,75 Habib Bank A ISSUE DEPARTMENT Bank of India 5,75 Habib Bank A Liabilities Service Company 123,004,895 Bank of Scotland 5,75 Habib Bank A Bank of Scotland 5,75 Habib Bank A	en Inv 8k,5.75 Western Trust 5.75	10 Queen Street Place, London EC 16 September, 1996.	C4R 1BL. United Kingdom.	MORGAN STANLEY GROUP INC. (Incorporated with limited Hobility in the State of Delaware, U.S.A.)
	Notes in discussion: Notes in Banking Department 20,790,000,000 -140,000,000 Bit Sk of Mid East 5.75 C. House & Ck Bit Sk of Mid East 5.75 C. House & Ck Glown Shipley & Co Lat 5.75 Julian Hodge	n 5.75 Yorkshire Bank 5.75 Phanghai 5.75 Bank 5.75 • Members of London			Issue Price: 712 pence
	Assets Citter Government securides 5,324,476,547 -1,767,451,280 Clydesdate Bank 5,76 (Loyde Bank Citter Securities 20,780,000,000 -140,000,000 Credit Lyontais 5,75 Midland Bank Credit Lyontais 6,75 Midland Bank Credit Lyontais 6,75 Midland Bank Credit Lyontais 6,75 Midland Bank Credit Bank Credit Bank Credit Ba	5.75 Association 5.75 In administration			The aggregate nominal amount of PERQS of all classes (including PERQS based on the price of Standard Chartered Ordinary Shares) which may be issued in £5,000,000.
				THE ROYAL BANK OF CANADA U.S. \$300,000,000 Floeting Rate	Copies of the listing particulars are available for collection from the Company Amouncements Office of the London Stock Exchange, London Stock Exchange, Cover, Capel Court Entrance, off Englishment Lane, London ECZN IHP during normal business hours for the two
Established St. Commencer St.	UK GILTS PRICES White Areast interest Last City White Areast interest Last City White Price 2 +4- Enr date and line Notice Price 2 +4- Enr date and line	Wrk % Acrost interests Last City Hotes Price S ++- Da dat xd line	BUSINESSES FOR SALE	Debentures due 2085 NOTICE IS HERERY GIVEN that for the Interest Period commencing on 17th Sentember 1998, the Notes	business days commencing with the date of this formal notice and during normal business hours on September 16, 1996 and up to and including September 30, 1996 from:
Kar I	Times 6 type 200511	(175.8) 11321 0.2 800 A(27 0·27 18.4 1753 176.3) 11324 0.2 1,550 W(28 30.4) 27 13 13 15 15 13 15 15 15 15 15 15 15 15 15 15 15 15 15	Appear in the Financial Times on Tuesdays, Fridays and Saturdays.	will bear interest at the rate of 5%% per annum. The interest payable on 17th December, 1996 against Coupon No. 43 will be U.S. \$14.992708 per U.S. \$1,000 nominal.	Listing Agent: Transfer and Redemption Agent: Morgan Stanley Securities Limited Morgan Guazanty Trust Company 25 Cabot Square of New York Canary Wharf 60 Victoria Embankonent
-	Tends 13-upt 1997#1 1031	(155.8) 1162, 05 (159.402) 021, 11.4 1255 - [68.9] 1862 0.4 2,100 4:19.1/19 10.7 1354 - [77.8] 1872 0.5 2,200 14;23 14:20 9.5 1318 - [77.8] 1722 0.5 2,700 14;23 14:23 14:24 15:19 - [88.2) 14;3 0.5 2,300 14;3 16; 7.8 13:20	For further information or to advertise in this section please contact Karl Loynton 0171-873 4874	Agent Bank Agent Bank CF CANADA	London E14 4QA London BC4Y QIP Dated: September 16, 1996
and Eastern	Each 1996 1607 10431 1,550 1/19 late 10.7 12/3 1 reas Spc 2008 ## 10632 1.5 5,821 April 0-13 24 1849 21 187 1043 1.5 5,821 April 0-13 24 1849	_81.9 150½ 0.5 3,150 Ac65-jos 17.7 127 _83.9 1455 0.5 3,150 Ac76-jos 3.4 1322 _87.7 1482 0.6 3,650 Lc17-jc17 0.7 152 _87.8 152 0.6 1,050 Lc17-jc17 0.7 152 _87.1 1739 0.6 1,300 Lc18-jc2 17.7 1134	· ·		
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	Tread Soc 1999 \$4	gnumy 1996: 150.2 and for August 1996: 153.1.			
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	Trans (Ope 2004	129 45 Maris No.15 13.10 1837 i	European Investment Bank ITL 1,000,000,000,000	7 - 255 2 - 256 2 - 256	THE PARTY OF THE P
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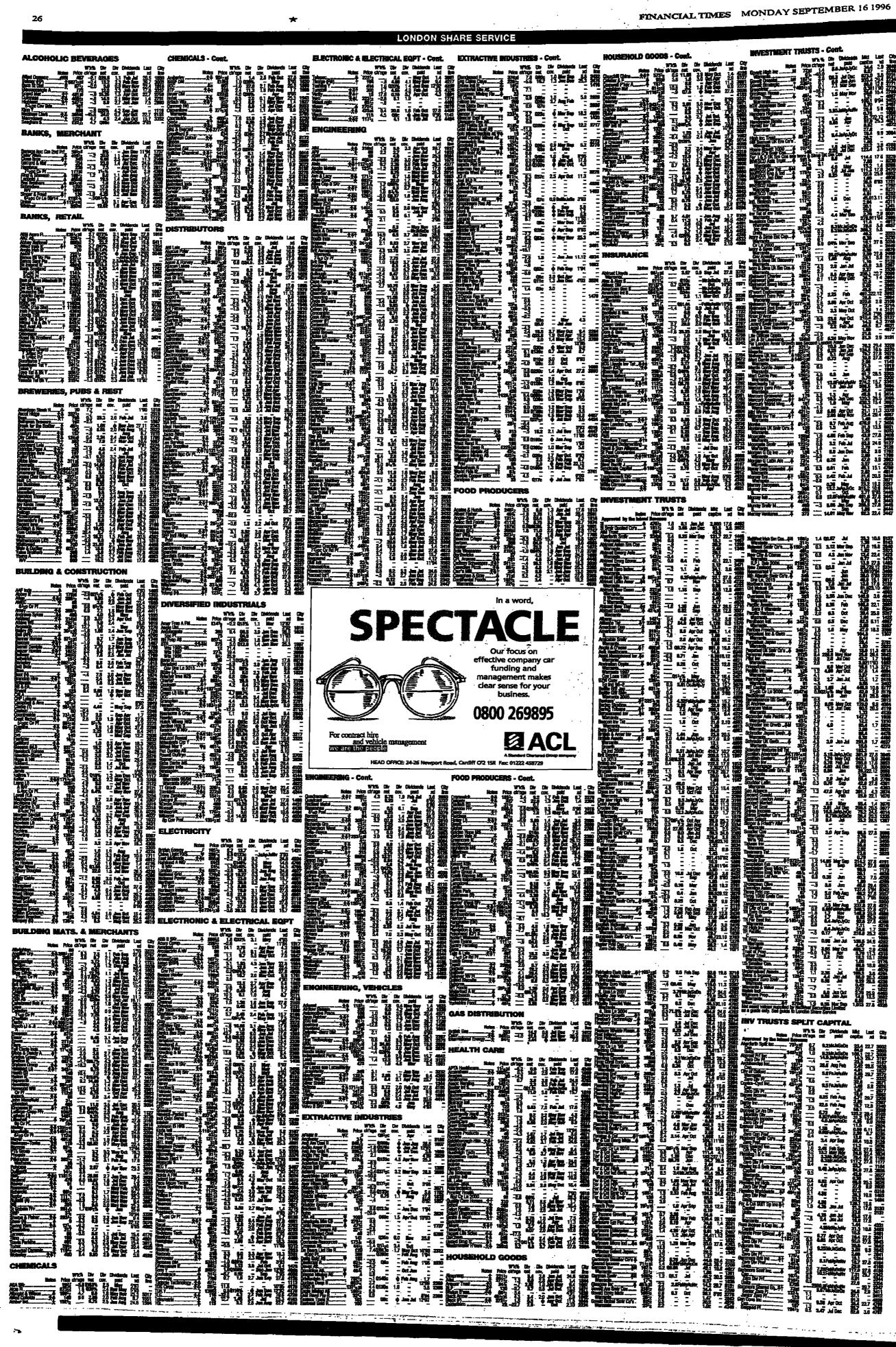
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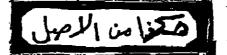
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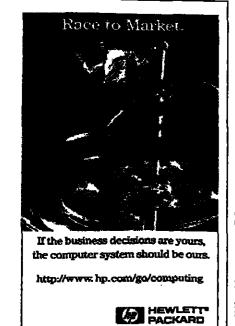
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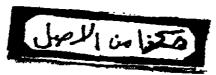
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MONDAY

Franco-Spanish summit

Monetary union and common Mediterranean interests will head the agenda in talks between José Maria Aznar, the Spanish prime minister, and Romano Prodi, his Italian counterpart. Mr Aznar will host the two-day annual summit in Valencia. They will be accompanied by their foreign affairs, economy, defence, interior and industry ministers.

Hungary/Romania treaty

Hungary and Romania sign a bilateral treaty, a prerequisite of their membership of Nato and the European Union. The treaty, which follows years of negotiation, is to be signed in the Romanian city of Timisoara, cradle of the 1989 revolution that overthrew the Ceausescu regime. However, Laszlo Tokes, the priest whose protest in Timisoara sparked the revolution, is one of the many ethnic Hungarians opposed to the treaty, which has also been heavily criticised in Hungary.

Australian PM in Jakarta John Howard begins his first big overseas trip as Australia's prime

minister. He arrives in Jakarta to hold talks with President Suharto, before travelling to Tokyo on Wednesday for discussions with Ryutaro Hashimoto, his Japanese counterpart. The trip is expected to focus on bilateral and economic relations, and lay groundwork for the forthcoming Asia-Pacific Economic Co-operation forum meeting in the Philippines.

Americas free trade area



Deputy trade ministers from the 34 members of the proposed Free Trade Area of the Americas (FTAA) meet in Florianopolis. Brazil (to Sept

17). This is the first of three preparatory sessions for a ministerial meeting next May. The FTAA aims to create mechanisms for closer trading links between its members by 2005, and to promote integration between the region's six trading blocks; its members include all countries in North, Central and South America and the Caribbean, except Cuba.

FT Survey Power in Asia.

Public holidays Guatemala, Honduras, Japan, Mexico.

TUESDAY

The finance ministers and central bank governors of France and Germany



Look and learn: as the US reinforces its military presence in the Guif, its silles and foes are weighing up the chances of another attack on Iraq

decamp to Kempten in Bavaria for the twice-yearly meeting of the two countries' economic and financial council. The talks will cover progress towards a European stability pact to underpin Europe's planned economic and monetary union. They will also review the chances of the two nations meeting the Maastricht deficit and debt criteria for Emu in the light of their restrictive budget plans.

UN general assembly

The 51st session of the United Nations general assembly opens in New York, with its 155-item agenda including no fewer than 21 items on general disarmament – a goal already advanced by the UN endorsement of the treaty banning nuclear test explosions. With members still owing \$3bn (£1.9bn) in dues, the industrialised countries will demand of the UN firmer management, fewer programmes and a smaller, streamlined bureaucracy. Meanwhile, having lost confidence in Boutros Boutros Ghali's leadership, the US has vowed to veto his reappointment as secretary-general.

Kohi in Latin America

Helmut Kohl, the German chancellor, arrives in Brazil after two days in Buenos Aires as part of a Latin American trip which will also include Mexico. Increasing trade and building closer economic ties between Germany and the region's biggest economies are the main agenda of Mr Kohl, who is travelling with 12 German business leaders. However, he is also due to launch a global initiative to save the rain forests. After a sharp rise in trade last year, German exports to the region dropped 14 per cent in the first four important in recent years, is due to be months of this year while imports from presented. The main aim could be to

Latin America were down 6 per cent.

Japan/China trade mission The Japan-China Association of Economy and Trade sends a mission to China. The mission comes at a sensitive time for Sino-Japanese relations, which have been strained by a dispute over the Diaoyu Islands. known as the Senkaku Islands in Japan. The islands are claimed by Japan, China and Taiwan.

internet controls pondered



pornographic and racist material on the Internet will be debated at the European Parliament's

Proposals for

EU action to

control

first plenary session after the summer ss. MEPs in Strasbourg will also consider a report arguing that public service broadcasting needs to be defended and that - provided it is commensurate with public service duties - its state funding should not be classed as state aid.

Public holidays Angola, Mauritius,

ECONOMIC DIARY

WEDNESDAY 18

French budget presented

France's 1997 budget, one of the most important in recent years, is due to be

make French participation in a single currency credible by convincing

sceptical markets that the government can hit next year's budget deficit target of 3 per cent of gross domestic product. Alain Juppé, the prime minister, has already unveiled plans to cut income tax by FFr75bn (£9.35bn) over the next five years - with taxpayers receiving one-third of the reduction next year.

European Union debate The European Parliament will hold its

second "state of the union" debate, with Jacques Santer, president of the European Commission, John Bruton, prime minister of Ireland – holder of the EU presidency – and Klaus Haensch, president of the parliament. Subjects are likely to include the slow progress of the intergovernmental conference on revising the Maastricht treaty. The EU's 1997 draft budget will also be debated.

Salercom



Paul McCartney's handwritten lyrics for the song "With a little help from my friends' are the star lot in Sotheby's auction of rock and roll and film nemorabilia (to Sept 19). They carry a

top estimate of £80,000 - but there is a chance they could exceed the world record for Beatles lyrics of £161,000. Also in the sale is one of Dizzy Gillespie's trumpets, which could fetch an estimated £35,000.

Debate begins on a no-confidence motion against Banharn Silpa-archa,

the prime minister of Thailand, with the censure vote itself expected on Friday. Mr Banharn, whose six-party coalition holds a slim parliamentary majority, may resign before the debate and attempt to form a new coalition. He is accused by the opposition of corruption, mismanaging the economy, lack of leadership and abuse of power. No elected prime minister has survived a full four-year term in Thailand.

FT Surveys

Philippines; Europe's Most Respected Companies.

Public hollday Chile.

THURSDAY

Good cheer for the South The Geneva-based United Nations Conference on Trade and Development (Unctad) will have some rare good cheer for developing countries in its latest report. Poor nations can still replicate the dynamic export-led growth of east Asian countries, it says, given appropriate policies and provided rich countries do not close their markets. At the same time, Unctad notes that successful industrialisation

has reduced the South's dependence on the North for trade and investment which is just as well given Unctad's cloomy predictions for growth in Europe and Japan.

Equestrianism

Blenheim three-day event, Woodstock, England (to Sept 22).

International Telecon

FT Survey

Golf

Loch Lomond World Invitational event, Scotland (to Sept 22).

Public holiday Chile.

20FRIDAY

St. Jak St.

EU finance ministers meet EU finance ministers and central bank: governors meet in Dublin for weekend talks on how to manage the transition to economic and monetary union in

1999. There is hope of a broad deal on new rules to enforce budgetary. discipline among Emu countries, but Germany could call for tougher penalties, Ministers will also finalise rules for a reformed exchange rate mechanism for countries which do not join the single currency.

Estonian poli continues

Estonian presidential elections continue in Tallinn, the capital, when a special electoral college involving 278 regional leaders and 101 MPs gathers. Neither Lennart Meri, the incumbent,

the necessary two-thirds vote in parliament last month. The charismatic Mr Meri has come under attack for alleged KGB links from the nationalist Mr Ruutel, whose power base is in rural Estonian regions.

FT Surveys

Belize.

Social Housing (UK only): Venture and Development Capital; UK Business

Public holiday

SATURDAY

Public holidays

Armenia, Bangladesh, Belize, Malta.

22 SUNDAY

Lib-Dem conference opens The Liberal Democrats kick off the UK party conference season, the last before the general election, in Brighton. Given the importance the electorate places on party unity, the conference is likely to be more disciplined than usual. Paddy Ashdown, the Liberal Democrats' leader, is expected to point up the party's policy differences with Labour - particularly its more radical approach to taxation - while stressing its ability to work with a potential

Election in Greece

Labour government (to Sept 26).

Greece holds an early general election. one year before the Panhellenic Socialist Movement's (Pasok) four-year term runs out. Costas Simitis, the prime minister, is fighting to stay in power. The conservative New Democracy party under Miltiades Evert posts a strong challenge, while the Democratic Renewal Movement (Dikki); a socialist splinter group led by Dimitris Tsovolas, a former finance minister, is attracting discontented socialists.

Motor racing



Damon Hill. driving a Williams-Renault (although he won't be doing so next season). can take a big step towards

30 mm.

Title to a

Britain's

the world drivers' championship in the Portuguese grand prix at Estoril, the season's second last. But Hill needs better luck than in the Italian grand prix, when he spun off the track. Hill's only challenger for the title is Williams team-mate Jacques Villeneuve of Canada, 13 points behind.

Public holiday

<u>euroster, direct to brussels</u>

Italy.

Compiled by Simon Strong. nor Arnold Ruutel, the challenger, won | Fax: (+44) (0)171 873 3194.

Other economic news

Monday: German data due this week are expected to show the growth of M3 money supply is slowing, while the Ifo business climate index should show that the pick-up in economic growth is only modest.

Tuesday: US industrial production data will be scrutinised for any inflationary signals ahead of next week's key US FOMC meeting when a possible interest rate rise will be discussed. The UK public sector borrowing requirement is thought to have been £4.1bn last month. Wednesday: UK retail sales are expected to show that the recovery on Britain's high streets gath-

ered pace last month. Canada's merchandise exports are forecast to have recovered in July after falling in June. Thursday: UK M4 money supply figures are expected to show that broad monetary growth remained high last month. Italian producer price inflation is expected to

have fallen slightly in July. Friday: The Confederation of British Industry's latest survey is expected to show that the recovery in British manufacturing industry continues to strengthen.

Sept 8 US Jūl business inventories 0.2% 0.1% Thurs Japan Sept wholesale price ind (1st 10 days) -0.1% Tues Japan Jul overall pers consumer expend** 1.0% 3.4% Sept 19 UK Aug M4** 0.6% 0.4% 0.6% 0.4% Sept 17 Japan Jul pers consumer expend (workers)** 5.0% UK Aug M4** 9.0% 5.0% 0.4% Japan Jul income (workers)** 2.0% UK Aug M4 tending 5.0bn 5.2bn Japan Jul industrial production*† 4.1% UK Aug bid see net new commitments 3.8bn 5.8bn Japan Jul ehipments** 3.3% US Aug bid see net new commitments 3.8bn 1.46m 1.46m UK Aug pub sect borrowing requirement 4.1bn -1.7bn Censids Aug leading indicator** 0.5% US Sept Philadelphia Epid Index 20.0 21.5 Censids Jul manufacturing new orders -2.1% US Sept Philadelphia Epid Index 20.0 21.5 US M1 week ended Sept 9 \$3.56h -50.7% US Aug industrial production 0.3% 0.1% US M3 week ended Sept 9 \$3.56h -50.7% US Aug capacity utilisation 0.3% 0.1% US M3 week index Sept 9 \$4.5bn 2.24% US Aug capacity utilisation 0.3% 0.1% US M3 week index Sept 9 \$4.5bn 2.24% 0.2% 0.2% 0.2% 0.2% 0.2% 0.2% 0.2% 0.2	Day Released	Country	Economic Statletic	Median Forecast	Previous Actual	Day Release	i Country		revious otual
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ACROSS

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8, 9 Where one goes to be

8, 9 Where one goes to be trained? (7,7)
11 Splashed, the second rushed outside (10)
12 Ewan's drunk again! (4)
13 There without the first female magistrate (5)
14 Second largest drink at student folic? (8)
16 Returning if two little children get morbid growth (8)
18 Finding a quarter in tattered clothing goes mad (5)
20 Border on a boat going astern (4)
21 General we'd praised is at

21 General we'd praised is at sea (10) 28, 24 Bird's tough bill injured the indomitable Briton (7,7) 25, 26 Where a movable feast Show you're angry - diel

(5) 2 Soldiers left to relax after liberation (7) 8 Cut back on scents distilled

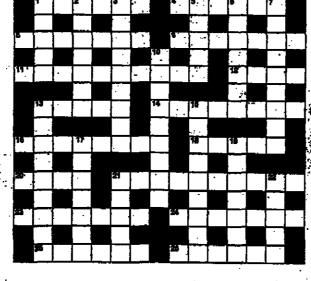
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5 God has man scolded (5)
6 Alight flourishing a red tin

6 Alight flourishing a red tin
(7)
7 Castles round a Great Lake
used as bird colonies (9)
10 Soft verge comes under
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13 Repay me, rise and rub
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15 Bloomers made by
Tottenham after game (9)
17 Turns and goes off stirring
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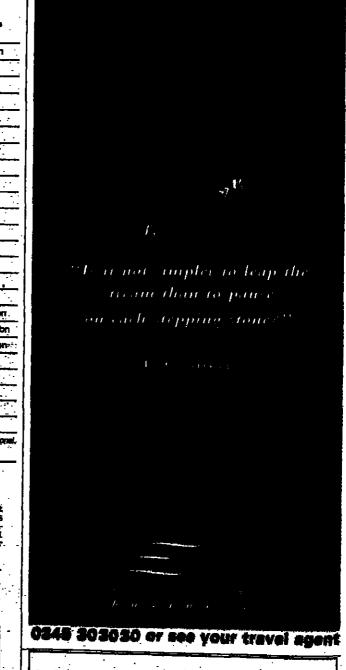
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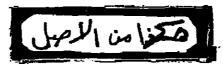
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JOTTER PAD



It would be difficult to distinguish the MBA class which graduated in 1975 from lese, in Barcelona, from graduates of most other European or American business schools. They were

draped in the black gowns familiar to students everywhere. But the move by students from lese, the international Graduate School of Management at the University of Navarra, to do away with the formal black morning suits of previous years was more than an expression of sartorial preference: it was a revolutionary act.

"As Spain was approaching democracy and freedom we felt we needed to move forward," says Pedro Batalla, one of the 1975 master of business administration graduates who now runs the Buenos Aires office of the International Finance Corporation (IFC), the World Bank's private-sector arm. "A new world was waiting for us at the end of our course."

During their two years at lese the class of '75 saw enormous changes both at home and abroad. In the summer of 1974 the first signs of ill-health her-alded the end of Franco's control over Spanish politics. Students knew that democracy would deliver inward investment, says Batalla, as well as changes in management practices auguring well for highly-qualified job

Overlaid on that were international economic pressures, notably the 1973 oil embargo. "The oil crisis began seven years of crisis," recalls Francisco Gasset, now senior director in the Madrid office of international headhunters Spencer Stuart. "That meant much more than the political thing. That was relatively smooth."

Alumni from the Iese class of 1975 talk to Della Bradshaw

Altered states



For the seven Chilean students on the course events were even more trau-

matic. When they left Chile, left-winger Salador Allende was running the country: on their return, two years later, General Augusto Pinochet was in charge. Many rode the changes and now have top jobs in Chile.

Luis Enrique Yarur, for example, returned to Chile in 1975, joining one of the main Chilean banks, Banco de Crédito e Inversiones. Today he is chairman of the board at the bank and direc- course - there are around 200 students

tor of the Santiago Stock Exchange. Further afield 1975 saw the end of the Vietnam war but the beginning of the civil war in the Lebanon. In the UK inflation hit 25 per cent. And at the cinema, Steven Spielberg's film Jaws

was striking terror into film-goers. In 1978, when the students began their course, lese was the only business school in Spain to offer an MBA. Indeed, when the course began in the mid 1960s it was the first such course in Europe. All the 56 students on the

on each lese MBA course these days spoke fluent Spanish, the language in which the course was taught. Only one of the 56 was a women: these days 30 per cent of students are female.

Thirty-nine of the students lived in Spain, with the others coming from central or Latin America, notably Chile, Colombia or Peru. The only exception was Austrian Thomas Lillenfeld. In spite of having Austrian nationality, Lilienfeld was raised in Latin America and after graduating from lese lived throughout the continent. He now lives and works in Barcelona.

For Lilienfeld the political and social upheaval in Spain was symptomatic of the many changes in his life: "I was. starting to live in a foreign country, which had a very different approach to

everything," he says. Nevertheless what Lilienfeld remembers from the two years at lese is the intensity of the work. "I think those two years were the hardest of my life," he recalls. "We had to interact with people from different origins and we only way to be had to reach agreement every day. It have an MBA."

was done with an intensity you wouldn't believe. I got my first grey hairs there and I was only 25 years

Gasset agrees. For me it was just day and night. When you are a lawyer - here in Spain, at least - you know nothing about business. We studied

long, long hours." For Yerur, also fresh from law school, it was the incessant focus on mathematical skills which produced the sleepless nights, particularly in the first part of the course.

Almost half the lese graduates of 1975 now have senior management posts in their companies, with rafts of directors in Latin America and Spain. Antonio Gonzalez-Adalid, for example, followed a career in banking and the energy industry before his appointment as chairman and chief executive officer of Madrid-based Repsol Exploration, part of Spain's biggest industrial con-

But for Lilienfeld, the picture has not been so rosy. The Spanish branch of the German-headquartered company where he worked ceased to trade, and, faced with redundancy, Lilienfeld says he fell back on many of the techniques which he had learnt as a student at

"I started to re-assess my strong points and my weak points and to work out which was the best route for me, he says. His response was to set up his own company, Grupo Sapiem, in Barcelona, selling industrial components in Spain and Portugal.

The lese MBA has also given invaluable professional insights to Gasset in his job as headhunter. "If somebody is going to work in a company they need to invest in their own education. Just as a doctor needs to be a specialist, so a businessman has to be a specialist. The only way to be a real specialist is to

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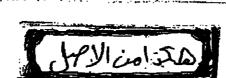
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Barclaycard: a measured tread towards 2000

showed only a momentary iciness last week whether Barclaycard's new £6m, four-year sponsorship of British Olympic sport wasn't shotgunning money at too broad a target, rather than rifling it at a marketing bull's-eye. Potts is chief executive of

Barclaycard, which says it is Britain's largest credit card company. He has been with Barciays for almost 30 years. spending most of that time in retail banking.

Potts looked fleetingly aghast when I asked him why, instead of bothering with his new sponsorship. called Barclaycard Champion of British Sport, he didn't simply buy himself a dozen of Britain's most momising Olympic prospects for the Sydney games in 2000, put them on Barclaycard's payroll – and bask in the glory of an unusually well focused and pioneering marketing wheeze.

Instead, Barclaycard plans to spend its £6m supporting jolly. the development of UK sport at three levels. élite, intermediate and grassroots, by sponsoring a number of prominent stars; providing hidden sporting champions"; and - this is the pious and boring bit - offering training sistance to the "silent army of volunteers" who

Potts' eyes give their time to sport at I'd carry on for the next four the grassroots level. No, said Potts, warily.

Buying a dozen top Olympic prospects and putting them on the payroll had not been considered. "The point of our programme," he said, "is that it has very wide customer approval. Over 90 per cent of our customers are interested in sport one way or the other, so a sponsor ship like this is a perfect fit with our business. We have very carefully researched all this over a period of two

So Barclaycard wasn't leaping on to a marketing bandwagon by cashing in on Britain's lacklustre performance at the Atlanta Olympics this summer? Not at all, said Potts, implying that leaping on to bandwaggons was not his style.

It could have been worth a try, though. One day, I reckon, all important sports teams, including those that compete in the Olympics, will be owned by corporations. Things will be rather

Among those present when Potts unveiled his new sponsorship was Britain's Steven Redgrave, the only Olympic gold medals. Redgrave was asked if he was tempted to reconsider his decision to retire, given the

Olympics," said Redgrave. I do not believe he was

Meanwhile, Bill Rathburn, the security chief at this summer's Atlanta Olympics. has advised those who find themselves organising future games to think small. Rathburn claimed last week that the Atlanta games, by sev-eral yardsticks the biggest npics ever, were plagued by behind-the-scenes management problems because of their size.

They were too big," he said. "I don't think you'll see games this big again for a long, long time. Just to sell all the tickets you can sell is not necessarily the right approach." Atlanta broke many records for Olympic bigness, said Rathburn: 2m spectators, 11m tickets. 10.780 athletes from 197 countries, 271 events, 1,933

"The problems that [size] created were invisible to the average person, but they problems that . had operationally," he

That is just an excuse. Atlanta knew it was going to stage the biggest-ever Olympics, but made a mess of them. All in all, Atlanta's experience has convinced me that one day - not soon the games will return to then original home at Olyminto sport. "If I had all £6m pia, in Greece, perhaps

the UN.
The modern bidding proess in which cities compete to host the games is ridiculously expensive. Scrap it, and the International Olympic Committee, which owns the games, could afford to build a modern wonder of the world: an awe inspiring stadium at Olympia, set at the heart of a futuristic sports theme-park that included a recreation of Olympia's ancient sanctuary, temple and statue of

The Olympics do not need much scaling down. But they have got to be well

A new staditute at Olympis of the sort I am imagining would cost at least \$2bn in today's money but could be funded (why not?) by an international, tax-exempt bond offering, similar to the private offering that is partially financing the new \$234m National Tennis Centre in New York, which from next year will be the main stadium for the US Open.

Building stadiums that please everyone is notoriously difficult. Gino Rosetti, of Michigan-based Rosetti Associates, which designed the new tennis centre in New York, says that the US Tennis Association "had maybe the worst stadium



Steven Redgrave, Britain's champion rower: 'If I had all 26m I'd carry on for the next four Olympics'

centre of the grand slam tournaments. Their charge to us was to make it the best in the world."

Rosetti says the worst seats in the new 23,500-seat main arena are only 15ft further from court than in the USTA's existing (and long derided) 20,000-seat Louis Armstrong Stadium. The new arena has courtside boxes, two rings of luxury suites and spacious individual seats. The price of the choicest box seats will increase by up to 100 per cent next year, with top seats costing \$50,000 for the two-week tournament.

But there has been plenty

Allen Swerdlowe, a New York architect and professor of urban design, says the new stadium is not so much state-of-the-art as artless. "It looks cheap to me," says Swerdlowe, who teaches at the Pratt Institute in Brooklyn. "Like everything else in New York, things are based on budgets. They're done quickly ... with very little understanding of

of criticism. For example,

■ Are claques shaping events in British soccer? Fan-power, it is believed, will drive an increasing

out of their jobs because the rising cost of watching games is producing more vociferous supporters. John Camkin, secretary of the League Managers' Association, says the game is now so cash conscious that there is an escalation of protests by fans.

Wilkinson. Howard recently sacked as manager of English Premiership side Leeds, says protests by a claque of Leeds fans during the club's 4-0 drubbing by Manchester United the other day contributed to his down-

"I think the pressure from

dously since the cost of football went up," says Camkin. "Very few boards are strong enough to stand up to the protests of [a] minority. If [fans] are paying £25 to go and see a match these days, who can deny them the right to protest?"

Quite so. But managers should not despair. All they need do is hire their own claques and pay them to drown out the protesters for as long as it takes to solve whatever is ailing their clubs. Some managers might find it prudent to hand out very large sums

met an architect at a party the other night who said he had been asked to enter a competition to design a "Christian Millennium Centre" for London. We were standing in a candle-lit room surrounded by Sir John Soane's art and antiquities collection. It provides evidence of the career of one of the greatest architects who saw the 18th century turn into the 19th. What would Scane have thought about the chance to design an edifice of such clear symbolism and potential power? No doubt he would have reinter-

Colin Amery • Architecture

Sir Norman's great new tower of London

tects are more than a bit stuck when it comes to designing anything monumental or deeply symbolic. Their training does not give them a grounding in history. and "modern" life does not have a visible and universal symbolic In Britain, current architec-

preted tradition in his individual tural ideas for the millennium nant quality. As designed at pres-

way. But contemporary archi- include bridges, towers, earth centres and art galleries. The one that is exercising minds at the moment is Sir Norman Foster's proposed London Millennium Tower on the site of the bombed Baltic Exchange, which demonstrates how the lack of shared symbolic values can be filled by adopting sheer size as the domi-

ent, it will be 1,265ft high - the tallest building in Europe. The reaction to the proposed tower is not yet right. tower has been mixed. However. present so half hearted - even ugly - that the opportunity to build a tower designed by Sir unique, and he is not inflexible

might agree that the top of his

the City of London's skyline is at more modest kind are recounted in a brilliant small exhibition that has just opened at the Riba-Heinz Gallery in London, on the Norman should not be missed. He short but potent career of the has a skill and elegance that is modernist architect Christopher Nicholson, who died in 1948. Nic- life he was poised to go far, but

gree. His father was the artist William Nicholson, who had been Architectural aspirations of a trained by Whistler, and his brother was Ben Nicholson, the British abstract artist.

Nicholson set up his architectural practice after Cambridge with Hugh Casson. With such a brilliant start in English cultural

was killed in a gliding accident when he was 44. The exhibition shows that he had already started to turn English architecture towards a stylish version of international modernism.

The exhibition shows Nicholson's architectural development from the beaux arts to modernism, as well as his interest in

furniture and product design.
Nicholson's career showed a deep commitment to simple, elegant, modern design. He was not confused about symbolic language. He would have loved the idea of Sir Norman Foster's great new tower of London.

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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY Anglo & Overseas Tst 0.6p Baring Tribune Inv Tst 2p British Telecom 11.25p Do 7%% Bd 2003 £71.25 Branswick \$0.125 Chase Manhattan Sb FRN 2009 \$149.32 Chester Asset are No 2 Ass

Chester Asset rec No 2 Asset Bokd FRN 2001 £1436.61 Christiania Bank Sb FRN 2001 Christiania Bank So FRIN 2001 \$276.22 City Mortgage Rec Mtg Bckd FRIN Feb 2023 Ser 1996-2001 £50.12 Commonwealth Bank of Australia 8%% Nts 2000 A\$87.50 Granada FRN 1999 £1632.05

Guaranteed Export Fin 10%% Gtd Bd 2001 21062.50

Gtd Bd 2001 £1062.50
Holders Technology 2p
Honeywell \$0.27
Hongkong & Shanghai
Banking Prim Cap FRN (Ser 2)
\$75.89
Inversek 1.93p
Ivory & Sime 5.75p
Midland Bank Non-Cm \$ Pf
Ser A1 \$0.355
Do Ser A2 \$0.08875
Do Ser B1 \$0.41
Do Ser B2 \$0.1025
Midland Int Fin Gtd FRN 1999
\$285.85
Pendeford Mortgages Class
A1 Mtg Bckd FRN 2037
£1288.19

Do Class A2 £1500.27 Do Class A3 £1510.22 Do Class A4 £1515.19 Do Class A5 £1557.46 Ragby Gtd FRN Dec 1997 \$15337.01 Santander Fin Sb Gtd FRN 2004 \$301.93 Do So Und Var Rate Nts \$4123.44 Spergo Consulting 2p Spiritab FRN Sep 1998 \$146.24

Stanley Leisure 4.65p Thames Asset Global Sec Class A2 Asset Bckd FRN Class A2 Asset Bood FI 2037 £1510.22 Do Class A3 £1520.16 Do Class B £1520.16 Thomson \$0.1375 Time Warner \$0.09 Treasury 2% IL 1996 £2.21 Uny 3.7% Nts 1998 Y370000.0

TOMORROW Border Television 3.6p Daiwa Europe Bank FRN 2000 Y420900.0 Y420900.0 Glenchewton 0.45p Hankyu FRN 1996 Y21742.0 Jasmine Tranche A FRN 2003 Y1303561.0 Limited \$0.10 Louistana Land & Expln \$0.06 RJB Mining Gtd FRN 1997 F137.50 £137.50 Royal Bank of Canada Fitg

Rate Db 2085 \$148.54 Sumitomo Chemical FRN 1997 Y19186.0 Sumitomo Realty & Dev FRN 1996 Y18780.0 Total Systems 1p WEDNESDAY SEPTEMBER 18

Abbey National Treasury 914% Gtd Nts 1996 Ecu92.50 Bear Steams FRN 1996 \$152.0 First National Bidg Scty Fitg Rate Perm Int Brg £43.77 Gold Int Fin Tranche B FRN 2002 Y317647.0 Lloyds Bank Ser C Var Rate Sb Nts 1998 £151.76 State Fies Comp of Victoria

State Elec Comm of Victoria 91/4/6 Gtd Nts 2003 A\$92.50 Thai Prime Fd \$0.50 Tokal Fin Und Gtd FRN Y1461918.0 VTech (Lon Reg) \$0.055 Do (Bermuda) \$0.055 Zotefoams 2p

THURSDAY ... SEPTEMBER 19 Appleyard 3.1p. Birmingham Midshires Bldg Scty FRN 2000 £150.23 Christiania Bank Rev FRN 1997 \$1033.11 Coral Products 1.5p Marubeni Int Fin Euro Yen Gtd Nts 1998 Y582988.0 Ransomes 5½% Cm Pf 1.925p Thames Water 9½% Cv Sb Bd 2006 £237.50 Treasury 111/2% 2001/04 £5.75

et's backb

Vendome Luxury Units 6.63p FRIDAY SEPTEMBER 20

Abbey National Treaury FRN 1997 £152.39 Abtrust Lloyd's Insurance Tet 2.02p Alcan Aluminium \$0.15 American int \$0.10 Barlow Int Invs 7% Gtd Cv Bd 2004 \$350.0 Courts Consulting 0.75p Coventry Bldg Scty FRN 1997 Enron \$0.2125

Exchequer 101/2% 2005 £5.25 IWP Int IR5,7p Japan Dev Bank 61/2% Gtd Bd 2001 Y65000,0 M & G Equity Inv Tst 34.4p Do Inc 1.17p Do Units 1.17p Millennium & Copthorne Hotels 0.7p NK Properties Units R0.3088 North Midland Construction 0.75p Oriel 3.25p Shandwick 0.43p

UK COMPANIES

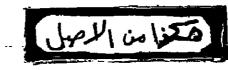
Mileys, Caladonian Club, 9, Helid Street, S.W., 12.00 SOARD MEETINGS

Towny Law Interims;

THURSDAY

COMPANY MEETINGS: Abtrust Lloyd's Insurance Tst, 99; Charterinces Street, E.G., 12.30 Bosstead, Westbury Hotel, Conduit Street, W., 12.00 Street, S.W., 1000
HETTER Sports, HI-TEC HOUSE, Aviet
Way, Southend-on-See, 10,00
Leight Interrests, Chamber of
Commerce, 75, Harborne Roed,
Edgbasson, Shriningheri, 12,00
MITTE, Stable Block, Barley Wood,
Whington, Avion, 12,00
Stewart & Wisite, 82, New Course, 10

COMPANY MEETINGS: Abtrust Scotland Inv. 10, Quee Terrace, Aberdeen, 12,00 Gartmore Entrprise Tst, 16-18 Monument St, E.C., 2.30 PSIT, Trinky House, Tower Hill, E.C., BOARD MEETINGS







Now accessible at a screen near you: clockwise from left, Monet's "The Beach at Trouville'; Raphael's 'An Allegory "Vision of a Knight"; Canaletto's 'The

Time to download Delacroix

Art lovers need not trek to galleries to see the great works, says Stephen McGookin

a 33-year crusade to safeguard the art he loves for posterity has taken on a special dimension. Roland's collection of 650 films on art features the work of 230 filmmakers from 25 countries, and has gone online in an extensive. content-rich Web site (www.roland-collec-

When I was an art dealer I felt films on art were so dreadful that I made a film to show they could be a work of art in themselves," Roland says.

With a prizewinning 1963 Delacroix's sketches in the Louvre, Roland started to assemble what he considers

In addition to his own work, the collection was chosen from some 8,000 films chronicling art from prehistory to the architecture of are not necessarily in museums. They might be in private collections or even still

in progress," he says. The site features a searchable database, organised by period or content, and a general alphabetical catalogue listing individual artists and subjects. It also has eight hours of video in 500 50-second clips, which at present download with painful slow-

While the films in the collection span 12 languages, the site itself is available in French, Spanish and English (an Arabic version may folblack and white film of low). There is also an exhaustive list of links to other art sites and galleries throughout the world - all will become an enduring in all, an impressive under-

taking. Roberto Minio, business manager of the Publishing Pira International, the consultancy overseeing the cre tomorrow. "It's entirely ation of Roland's project. appropriate that the latest says the aim of putting the collection online is to reach in the collections.

or Anthony Roland, the public works of art that a global audience and make it more accessible to individual users, not just art professionals.

One thing Roland has in common with his fellow collector, Microsoft chief Bill Gates, is an eye for the commercial potential of online

Institutions will continue to buy art in the way they have always done. Berlin's Central Library,

for example, recently purchased a copy of every film in the Roland Collection for public display. But the potential for generating additional sales revenue in cyberspace is consid-

ike the online catalogue provided by Gates' company Corbis (www.corbis.com/ catalogue) - which includes and New Media Group at selections from the Bettmann and Hulton Deutsch photographic archives readers can purchase copies of the works which are held

As with the Roland site. the Corbis online catalogue folio may have sold millions is updatable with the material that is added to the colof posters, calendars and books, the material conlection each week. Unlike tained in Roland's collection is aimed primarily at art Corbis, however, material from the Roland Collection enthusiasts rather than the cannot at present be mass market. delivered to purchasers digi-

The majority - about 96 per cent - of the titles are

European. This appears to bear out Roland's assertion that although the prime source of financial support was US universities and galleries, none of the films was specifically included for the American market. "I chose outstanding films rather than the most saleable ones," he says

For Roland, amassing the collection was a labour of love, and he is mindful of his responsibility to the filmmakers whose work is now under his stewardship. They have left us a treasure of the 20th century," he says. "By bringing them together I'm not speaking for them; I hope I'm speaking with

Tim Jackson

From Russia with lag

What do you call a Russian who disembarks from an aircraft in Tel Aviv without violin case?

Answer: A pianist. Jokes like that are still doing the rounds of Israeli citizens bemused by the influx of more than 1m Russian migres to their country during the past five years. To some, the arrival of tal-ented Russians - not only musicians but scientists. doctors, engineers and professors - is a source of tension. To others, it is a business opportunity.

Last week, a high-tech start-up went public on its plans to offer a deep-discount telephone service between Jerusalem and St Petersburg, carrying calls

across the Internet. Net telephony works in a similar way to traditional long-distance calling. The difference is that instead of using a large mainframe owned by a telephone company to encode the voice signal into a compressed stream of data and then decode it at the other end, the job is done by two personal computers. The link between them is the Net, not the telephone system.

So far, interest has mostly been drawn to the way this technology can add value to the World Wide Web. But the technology has started to encroach on simple telephony. One company, IDT, offers a service called Net2Phone, allowing people to call any US number from abroad for 10 cents a minute. Last year, a group of enthusiasts proved the technical feasibility of international phone-to-phone connections across the Net. Since then, several groups of entrepreneurs have been

The principles are simple. A customer makes a local call into a "gateway", which checks that the customer's credit is good and then encodes the call and sends it over the Net. The gate-

hard at work.

Question: way in the receiving country decodes the signal, launches a local telephone call from a modern to the customer's desired number. and connects the two together. It is the practice that is difficult.

Delta Three, formed by three israelis who had launched a company to develop smart-card technologies, is one of the first to unveil a working commercial system. After nearly a year of development, the company started a public beta test in July 1996.

Jerusalem and St Peters burg are well chosen. Existing call prices are high: Russian immigrants to Israel pay about \$1.30 (83p) a minute to call home. while callers pay twice that in the other direction. Local calls are free in St Petersburg and cheap in Jerusanect to Delta Three without running up large bills.

With a pair of Pentium PCs, some dedicated hardware and software, and leased Net connections of modest bandwidth (128kbps), the company has been running a phone service of sorts for the past two months. Jacob Davidson, its chief executive, says that the alarmingly long delay that is a normal feature of Net phone calls has proved acceptable.

He claims his system is not greatly worse than mobile telephony in Manhattan, and points out that the local phone network in St Petersburg is so bad anyway that it is not always clear where to apportion blame for problems.

The most common response among telephone companies is to doubt whether a fledgling phone company can meet customers' service expectations. But a saying in the clothing trade springs to mind: Never mind the quality; feel the width."

In the beta test, Delta Three charged only \$15 for two hours' conversation, implying a price per minute of 12.5 cents. Since this undercuts the cheapest

alternative by more than 90 per cent, Davidson believes people will put up with far lower call quality, particularly if they use the service to reach their families rather than for business.

In Jerusalem, customers will pre-pay lump sums regularly through credit cards to keep their accounts in the black. In St Petersburg, where the financial system is less reliable, the company will work by selling pre paid phone cards of fixed value through kiosks.

The test running since July was carried out with the blessing of the authoria ties in Jerusalem. Davidson, who studied law at George town before becoming an Israeli, is confident that in Israel's deregulatory climate his application for a full licence will be granted.

In Russia, things are different. There is no tele-phone regulation to speak of, and the biggest issue is "security money" – protec tion exacted by the local mafiosi. But once its first route works, Delta Three plans to take in New York. which has a large Orthodox Jewish community with links to Israel, then London, Berlin, and Los Angeles.

The company is already talking to resellers and phone card companies in New York. Its pitch to them is that since Net telephony is going to overwhelm their existing resale businesses they might as well cannibal ise their own businesses by going into partnership with Delta Three rather than waiting for someone else to.

Judging by a conference presentation that was a little ragged around the edges, the company has far to go before it can compete with MCI, the US telephone company. But that is missing the bigger picture. Other operators will emerge; some will succeed. The barrier to entry into the international telephone business has fallen to a few hundred thousand dollars. And niche marketing will lead to a proliferation of price points tim.jackson@pobox.com

Net's backbone starts to flex

Delays are the bane of the service, writes Victoria Griffith

graph that takes 10 interminable minutes to download, the "artwork" that constantly needs to be "updated", the World Wide Web site that cannot be accessed due to demand.

Addressing the challenge of speed and efficiency is vital for a network that, commercially, at least, is still in its infancy. "People talk about security as being the most important concern for online banking, but I think it's Internet traffic," says Blaise Heltai, head of electronic commerce at New England's Fleet Bank. "Customer delays online are really the biggest impedinent for us."

Internet congestion has become such a concern that at least one company. has dedicated itself to tracking cyberspace delays. Matrix Information and Directory Services issues daily "traffic maps" on the Web.

Robert Metcalfe, founder of computer technology company 3Com, is so convinced a crisis is pending that he runs a Web page dedicated to proving his theory. Metcalfe invites surfers to notify him of any Net hold-ups and plans to use the information to put pressure on providers to clean

Others believe it is premature to write off the Net as a disaster waiting to happen.

has felt the frustra-tion: the photo-graph that takes 10 developed has made me optimistic," says Nirai Shah, president of the multimedia advertising group Spinners. "Within five years, the Net their destination. should work as smoothly as the telephone network."

The Net is a victim of its own success. Sprint, one of the largest long-distance communications providers in the US, says that during the last year, demand for space - usually called "bandwidth" - has doubled every three months. That is partly because more people are floating into cyberspace, partly because each customer takes up more room.

Users are occupying more because more data are available. Originally, the Net was a way for academics and the US military to send each other simple text messages. Today, there are about 50m sites on the World Wide Web, according to Web directories.

To make matters worse, site designers are increasingly ambitious. Pages that once featured only photo-graphs now include video clips and sound effects. And experimental uses such as live voice transmission place mounting pressure on the system. "People have gone a little crazy with the design of Web pages," says Patrick Craig at Sprint

To understand Net traffic, a distinction must be drawn

"I had some concerns myself between the "last mile" of service, which transports data between personal compoters and a central pipeline, and the pipeline itself, run by "backbone carriers", which channel that data to

> peed on the last mile depends on several factors: the PC's capability, the efficiency of the telephone wire into the home, and the quality of connection provided by companies such as America Online and Compuserve. According to Forrester Research, a leading Net research group, the PC market is seeing a dramatic increase in demand for high-speed modems. More than half of cyberspace surfers in the US now use a

Forrester predicts that the vast majority of US sales this autumn will be for 28.8 speed modems or higher. Local telephone companies are also increasing speeds on the last mile by installing more efficient wire and transmission technology.

modem capable of transfer-

ring 14.4 kilobits of data per

second - a velocity consid-

ered state-of-the-art not long

The more bandwidth consumers use, the more pressure there is on the backbones to provide bigger, more efficient pipelines. But because this area is run by seven major players, it's more susceptible to

Tom Evslin, vice-president of AT&T's WorldNet Ser-

However, the copyright

agreements covering all

these collections - those of Roland and of Gates alike -

allow the material to be dis-

tributed in more than one

format. Minio says this

makes likely the develop-

ment of a Roland Collection

Corbis, meanwhile, is

working on a CD-Rom feat-

uring the work of US photog-

rapher Ansel Adams, with

whose estate the company

signed an exclusive 20-year

distribution deal in April. The managing trustee of the

Ansel Adams Trust said at

the time that the aim of the

deal was to take the artist's

work into the 21st century,

"and he knew that was

going to mean electronic

CD-Rom

Cable modems are one intriguing way to deal with the problem. A new trial by Excalibur, a Time-Warner subsidiary, linked up 400 homes in Akron, Ohio, to cable modems on September 10, and plans to add another

1,000 homes soon. Cable modems work by stationing high-demand content close to users - the cyberspace equivalent of scattering tiny stores all around the country instead of forcing everyone to drive to one big shopping centre. Many of the backbone carriers say they are keen to link up with cable companies as part of a long-term traffic

Possibly, a new pricing system will be needed if the Net is not to crash. Today, most surfers pay about \$20 per month to get on the Net. The cyberspace fiend who hogs space by downloading complex video clips and sound bites from Malaysia pays about the same amount as the neophyte sending short-text messages to friends next door.

'In future, I think users will pay for [speed in the form of priority delivery. just as people do at the post office," says Tom Evslin. "There will also be charges based on the distance data are travelling and how fat the package."

via a live hyperlink.

0171 873 3234 June 1995 UK sample

Internet Directors

All of these can be accessed via hyperlink directly from the Financial Times at http://www.FT.com

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Cyber : sightings

• Something genuinely makes you stop and say "wow, that's useful" is all too rare on the Not these days. But one such site is Visa's ATM locator (http://pisa.infonow.net usa html). This tells you where the three nearest automated teller machines to you are anywhere in the Us (no such luck for Europe). The information is clear and helpful, and the interface tremendously user-friendly.

 Yahoo's Internet Life presents the observations of Dave Barry, the exceptionally funny Miami Herald columnist, on the world of computers, such as "The Evil Genius of MS-Dos" (www.yil.com|yil|dbarry|index.html). His regular column at the Miami Herald is also available online at www.herald.com/trop-

iclbarry The National Security Archive (www.seas.grou.edu/ nsarchive) is an independent research institute based at George Washington University. Its site features its collection of declassified US government documents acquired through the Freedom of Information Act. the London hotel you can

Worth a look, particularly for the Cuban missile crisis and Nixon-Presiey meeting material.

• The Internet Telephony Consortium (http://pcp.mit.edul itel) is a multidisciplinary research group at MIT, the US business school. It covers the issues surrounding interoperability between the Internet and traditional telephony. · A new site from the

Tokyo Stock Exchange (www.tse.or.jp/eindix.html) will offer Topix data and other key market statistics, and a sectoral classification of Japanese and foreign listed companies. • Fancy dinner at The

Ritz? If you can't make it to

always take a look at the menu at the home page (www.theritzhotel.co.uk). Nicely done, down to the downloadable lobby pianist. The activities surrounding Ireland's presidency of the European Union, which ends in December, are publicised on a site (unsub irlgov.ie/iveagh/eu) Which

links to other European

information sources. steve_mcgookin@ft.com

 Financial Times on www.ft.com . . .

Travel News · Roger Bray

Agents' Cuba ban

American-owned travel agency chains have been forced to stop sending clients to Cuba by the US Helms-Burton Act. American Express, for example, is advising business customers to book through other agents if they need to go there. Carison Wagonlit has also been

Another agent drawn into the controversy is UK group A.T. Mays, which is also owned by the Minneapolis-based Carlson Companies, Its 303 branches

have been instructed not

an American riverboat gam-

bler will earn a footnote in

commercial aviation history.

Courtesy of a royal flush,

such as the Church of

England, it will be a cause

The US government, under

pressure from international

airlines, is reviewing its ban

on gambling in the air, and the UK Gaming Board, while

uneasy at the prospect of

sudden vertical expansion of

casino gambling in the skies

over Britain, admits that

in-flight wagering is not

however.

for concern.

Opposition,

ext month, somewhere over Europe, the modern equivalent of

to sell travel to Cuba. The company says: "We tend to sell travel to small businesses and Cuba is a marginal destination in any case. But we are talking to Carlson to see if there is any way round this." Helms-Burton paves the way for action against companies "trafficking" in or profiting from property

Capacity curbs Munich's gleaming and graceful new airport appears

confiscated after Fidel

Castro's 1959 revolution.

But according to Lufthansa it is running out of terminal capacity only three years after it opened. The airline has stated its intention of turning the airport into a major hub, but planning vice president Christopher Müller says there are too few aircraft parking slots where passengers can walk to and from the terminal via air bridges.
This could start

hampering expansion as early as this winter. Lufthansa has already increased flights by 20 per cent since the airport opened in 1993. Meanwhile, the airport is working on plans to double its 18m

Smooth links

UK airline Virgin Atlantic, which starts flights between London and Johannesburg on October 2, has tied up a carrier Sun Air to ensure its . Shanghai plans smooth onward connections to Durban and Cape Town. Passengers flying to those destinations need check in only once and both legs of the journey will carry the

same flight code. Virgin chairman Richard Branson says further connections will be established as state owned Sun Air. Which less been earmarked for privatisation. expands its route network. Meanwhile, competition

on routes between Britain and South Africa may be sharpened further by the launch of flights by leading

charter carrier Britannia.

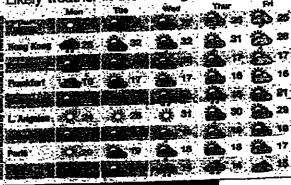
China has given the go abead for a huge new airport in Shanghai. Capable of coping with up to 20m passengers a year around the turn of the century, Padong International could eventually have capacity for 70m passengers annually. The project reflects rapid traffic growth in China. where bassenger Achimus are increasing at twice the booming Asia-Pacific region

Crossair grows

In what will be a significant expansion for Switzerland's Crossair, next month the arrime receives five new 50-seat Saali 2000 turboprops, starts new services, and introduces two-class service on its jet-

fleet.
The two-class split follows a decision by Crosselr's majority stakeholder, Swissair, that the smaller carrier should operate all its flights on sircraft with fewer than 100 seass.

"Demand for the chan came from passengers. connecting from Swi ng-hatil flights," says Likely weather in the leading business centres



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First-class way to lose your shirt

Airlines insist that in-flight gambling will be just another form of entertainment, says Roger Bray

perhaps, or a paired king and ace, some lucky passen-ger will become the first to gambling facilities in its BAe 146 jets from next month. Swissair still plans win a hand at electronic in-flight gambling.
To the airline industry, to be next, with the first of which says it can see a its fleet fitted out by Novempotential new revenue jack-pot worth almost \$350m ber. And, by the end of the year - or early next - Singa-(£224.3m) annually to US pore Airlines hopes to have carriers alone, the event will started a trial to see how be cause for celebration. To acceptable gambling is to its guardians of moral welfare.

The key to the opening of the casino door aloft has been the development of inter-active in-flight entertainment systems. looks unlikely to prevail. Increasingly, these will allow travellers to view videos on demand, interrupting them at will to play electronic games and shop from

their seats. Gaming is a byproduct of these developments. But some carriers have encountered glitches. Britain's Virgin Atlantic is one operator Debonair, the small UK which feels that the technol-

GEC-Marconi, alleging that the equipment it ordered did not fulfil expectations.

The moral objections to in-flight gambling sound less than clear-cut, especially in an era of expansion of gambling internationally as governments scramble to raise revenue by legalising lotteries and encouraging the growth of all forms of casino (and other) gambling.

But such objections remain a consideration. The Church of England says it would be "worried at any increase in pressure on people to take part in such activities, which we don't regard as a constructive use of money".

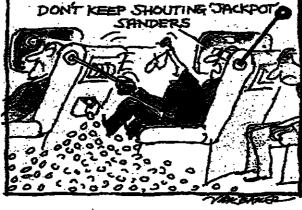
And Tom Kavanagh, secretary of the UK Gaming Board, says: "It's not something we welcome. In this country, casino and machine-style gambling is

carrier, looks like being first ogy has yet to be proven, only allowed in controlled off the blocks, installing and United Airlines is suing premises. From what we gather, airlines would be offering that sort of gambling on aircraft, where they have a captive audience. People could be enticed into losing large amounts."

Not so, say most carriers, who insist that they see in-flight gambling more as another form of entertainment rather than a source of revenue, and say they will impose strict limits on stakes and the amount people can lose.

With one recent estimate suggesting that gambling turnover of \$1m a year per wide-bodied airliner could be achieved, some may find the revenue claim implausible. But there is little doubt that most carriers will try to ensure, as one put it, "that our passengers don't get off flights without their shirts".

Singapore Airlines, for gambling with a commercial



example, plans stakes down to \$25 and a \$350 ceiling on losses per flight. Winnings, on the other hand could be as much as \$3,500. Passengers, however, ought to remember that it is much

operator - that is, one who deducts a percentage of the stakes to cover costs and generate a profit - than to

win \$3.500. Although casino gambling has spread rapidly in the US easier to lose \$350 when since the days when it was mainly limited to Nevada

and Atlantic City, airlines will be keen to maintain "product continuity". United, for example, says it will be important to ensure that gambling is acceptable on a variety of routes and not just on routes between cities known for a swinging, pro-gambling

lifestyle.
As one US airline executive puts it: "There are some sensitive areas, such as the Islamic countries, whereas on flights to Hong Kong (gambling) could be big business"

The biggest hurdle remains the attitude of US lawmakers. The US has forbidden American carriers to install gambling equipment since 1962. As recently as 1994 the provision was extended to embrace foreign airlines flying into and out of the US. The ban has helped persuade some airlines, among them Virgin, to

tread cautiously. "We would like to do it", the airline says, "but before making the investment we would want to be sure it could happen on the vast majority of our routes, which are to North America."

In July, the US Senate approved the establishment of a nine-member commission to look at federal policies on various aspects of gambling, from betting across the Internet to playing poker in the sky. Washington's aim in extending prohibition to foreignbased airlines was to prevent US carriers from being disadvantaged commercially.

Ironically, two years earlier, Washington had permitted gambling on US-flagged ships in order to blunt the edge held by foreign cruise lines. This opened the way for an expansion of Mississippi-style riverboat gambling in the US, and now some vessels don't even bother to cast off before the first dice are rolled.

Under UK law, at least, it seems unlikely that the jeux will be faits until the undercarriage is up.

ogus policemen are an increasing hazard for the unwary business traveller, Roger Bray writes. Hard on the heels of warnings to watch out for them in Romania comes a report that they are also on the crime beat in Iran. Their technique is to demand to see proof of identification, and then make off with a

visitor's wallet. Keep your passport separate

When policemen walk the crime beat

from other valuables. Travellers should also declare all foreign currency taken into the country on a customs form or at the Tehran (Mehrabad) airport branch of the Bank Melli. Those who fail to do this could have their cash confiscated when they leave. And risks continue to prolifer-

Soviet bloc. Attacks and muggings are increasing on the including the capital, Almaty. Consular officials advise

against using unmarked taxis and walking alone at night, and

ate for travellers to the former warn visitors who are forced to use buses or trains that they should always travel in groups. streets of cities in the central • Travellers in eastern Africa Asian republic of Kazakhstan, are advised that armed bandits are operating in and around Serengeti national park, following confirmation of an attack on 25 Italian and American tourists on

safari in the park last week. Three people were wounded, the Tanzanian authorities said.

The three were taken to Nai-Serengeti plain runs north across the Tanzanian border into

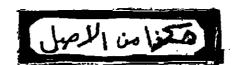
Serengeti and Masai Mara are the most popular game-viewing areas in east Africa.

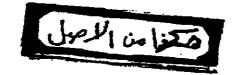
Tanzanian authorities said the robi, Kenya, for treatment. The attack occurred about three miles from Serengeti Sopa Lodge in the southern part of the 5,905 Kenya, where it becomes the sq mile reserve. The apparent motive for the attack, carried out

by about 10 bandits armed with with guns, clubs and machetes, was robbery. The Tanzanian statement said no one had been arrested but that more than 100

men were involved in the search. In a second tourism-related incident, the Tanzanian Daily News has reported that three gunmen shot and killed a foreign exchange clerk last week at the Hotel Impala in the northern







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4 1

Consideration

ARTS

appraindt and Vermeer, Jan Steen we) is one of the most popular.

es of the Golden Age of Dutch but, with the exception of a small et the Mauritahuls in 1958, there has no full-scale retrospective. This has en remedied by the Rijksmuseum. 50 masterpieces from public and sections around the world can be

an exhibition opening on Saturday.

COPENHAGEN As-its comutation to Copenhagen's year of Cultural Capital of Europe, an exhibition which opens on Friday et the Louislana Museum of Modern Art in Humlebaek places Picasso in the context of art produced by ancient civilisations of the Mediterranean. More than 100 works

by Picasao are placed alongside Mycenaeen Etruscan, Greek and Roman sculptures.

Be not afeard, but this hall is full of noises

Andrew Clark is baffled by the acoustics at the Hallé orchestra's inaugural concert in its new home

t looks hideous and the acoustics are a failure, but the building itself is userfriendly. That is the initial impression left by Manchester's new £42m concert hall, which opened at the end of last week with two concerts by the Hallé Orchestra

Bridgewater Hall is the latest in a string of large concert venues built in the British regions in the past 15 years, and it was probably the most sorely needed. The Hallé, the oldest professional orchestra in the UK, had put up with the privations of Manchester's Free Trade Hall for long enough, and the musicians are cock-a-hoop about their new home. Mancunian music-lovers are equally delighted that their city can finally take its place as a tour destination for international orchestras and recitalists. A new hall is a statement of self-belief: there is life in the old city yet.

The hall is nevertheless a disappointment. Set on a freestanding site next to a commuter road, its prow-like roof jutting above the main entrance, it looks like a squashed office development, all glass and grey prefab panelling. In a city that has preserved so many durable buildings from the past, the new hall looks cheap

and out of context. The architects, the London partnership of Renton Howard Wood Levin, have made amends with the interior. The reception areas, spread over several social are bright and specials, and the 2,400 ceat auditorium — a hybrid

of the shoe-box and "vineyard" design - draws everyone towards the stage: few balls combine such size and intimacy.

But the ultimate test of a concert hall is its acoustics. Judging by the Halle's inaugural programmes (and a final verdict must await comparison with other orchestras), anything below mezzo forte sounds grainy and illfocused, and anything above is fiercely bright and congested. There is no bloom on the strings, and no proper after-resonance. Why did Manchester choose Arup Acoustics, which was responsible for the flat sound of the new Glyndebourne theatre, rather than Artec Consultants which made such a success of Birmingham's Symphony Hall?

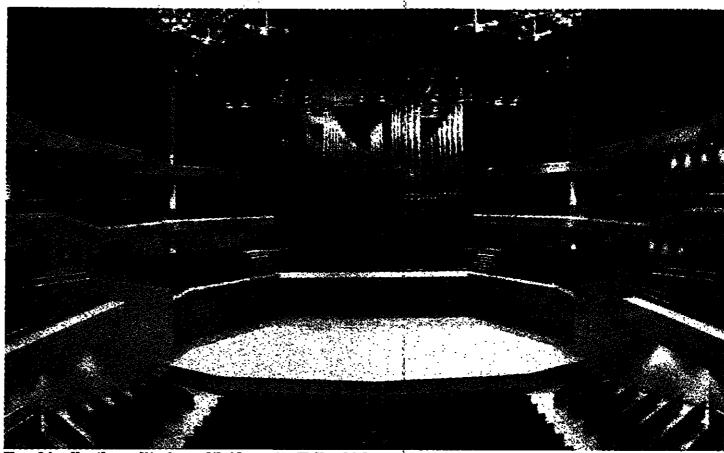
ridgewater Hall has none of Symphony Hall's in-built capacity for acoustical adjustment. A few baffle-boards have been scattered behind the side balconies - but it is bard to imagine how the sound could be significantly improved, short of rebuilding the walls around the stage and tinkering with the ceiling (as San Fran-cisco was forced to do, at huge expense, with Davies Hall). That is the price for choosing an untested design.

A bad acoustic is just what the hall's management company. Hallogen, does not need, Hallogen is a joint venture resident the Halle Concerts Southly and Orden Entertainments Continued

tion, a US-based company that also runs Manchester's main pop venue. With the building costs already paid by public authorities. Hallogen has no debt to service: all it must do is break even. If it succeeds, Bridgewater Hall will be the first symphony hall in the UK to exist without public subsidy. And if Manchester can do it, there will be a clamour to know why others cannot do the

Vicki Gregory, Hallogen's chief executive, has the experience to make it work. She has put together a starry recital series and asked the pianist Joanna MacGregor to devise an "alternative" programme aimed at young and first-time audiences. Any deficit incurred by expensive visitors such as the Chicago Symphony Orchestra should be covered by profits from cheaper guests. There will be jazz and light entertainment, and the hall can also sell itself as a daytime venue, with facilities for corporate entertainment.

This should provide an extra source of revenue for the Hallé, which badly needs the money. Alan Dean, its chief executive, is confident that despite a 20 per cent increase in ticket prices, the new hall can lift audience figures. But the Hallé remains seriously underfunded, receiving a fraction of the local authority subsidy that Simon Rattle's Birmingham orchestra receives. Last year it made an operating tops of £75,000, to add to the accumilioned deficit of £429,000.



User-friendly: the auditorium of Bridgewater Hall, which manages to combine size with intimacy

But money is not the Halle's only problem. Its four-year-old partnership with Kent Nagano still does not make sense: here is an orchestra with a heart, a tradition and a loval, conservative audience, matched to a conductor who, to judge by last week's performances of Elgar, Walton and Stravinsky, is slick, shallow and unpassionate. The orchestra does not need more John Adams (a Nagano speciality), two of whose pieces were included in the opening concerts. It needs a music director who can revive its

strengths in the core repertoire.

You do not have to look further and Thomas Ades, and continued than Yan Pascal Tortelier and the BBC Philharmonic, which will share Bridgewater Hall, for a conductor-orchestra relationship which works. So it is interesting that Nagano has extended his contract by only one year hardly a vote of confidence in

The two inaugural programmes were an odd mix. The first was all-British, prefacing the Enigma Variations and Belshazzar's Feast with a new work by George Benjamin. The second began with two more premieres, by Adams

with four of Debussy's Baudelaire songs orchestrated by Adams and The Rite of Spring. Benjamin's Sometime Voices for

orchestra, chorus and tenor solo-

ist takes its text from Caliban's speech from The Tempest beginning "Be not afeard, the isle is of noises". An atmospheric and subtly orchestrated piece, it compels attention from the opening wisps of sound on xylophone and mandolin, threading its way through forceful tenor phrases (William Dazeley, excellent) and but over almost as soon as it Daphnis-like choral spirits into a

perfectly-paced crescendo before dving away in a trance. Less cerebral than Benjamin's other recent output, it is more substantial than its nine-minute length suggests.

Adams's Slonimsky's Eurbox, a tribute to the Russian musical theorist Nicholas Slonimsky, is a minimalist showpiece, its repeated note sequences livened up by jaunty New World rhythms. Adès's These Premises are Alarmed is a three-minute musical joke - one worth telling.

nlike his predecessor, Sir John Drummond, who was a "don't mess with the music' man, Nicholas Kenyon, the new director of the Proms, favours a "let lov be unbounded" approach to the last night shenanigans. Instead of being frisked for their hooters and tweeters before admittance, Saturday's last nighters were positively encouraged

to let rip.
In the event they turned in a strangely subdued performance. They ducked and dived and swayed at all the traditional moments in Elgar's Pomp and Circumstance, and in Henry Wood's Sea-Song Fantasia, but there was only a half-hearted hectoring for conductor Andrew Davis's annual report on the season - the best ever, and prizes for everyone - and most of the rude noises, paper darts and

Promenaders leave last night to the performers

the boxes. But then the British are always self-conscious about being extrovert in public, particularly if the theme is patriotic. The great popular national anthems - "Rule Britannia", "Land of Hope and Glory" and "Jerusalem" – were sung with enthusiasm but with little emotion. It is bad form to be

seen to care too much.

Anyone who believes that the last night encourages linguism is talking nonsense: the obvious niceness and reticence hiding beneath the sea of flags demon-strates a suspicion of nationalistic fervour. Indeed there was a good sprinkling of EC, Japanese and German flags.

For a real expression of Britishness it was better to be in Hyde

streamers came from the toffs in Park where, in a brilliant innova-. Ann Murray dominated the evention, Kenyon had ordained an ing. Perhaps their good humour alternative Prom for the common! people. There, 25,000 of the less. pretentious tendency gathered with picnics, Union Jack Bats, night lights, and oceans of good humour to listen to their own " pop Prom, performed by the plano playing Labeque sisters; flau-tist James Galway, and soprano Maria Ewing, followed by a relay from the Albert Hall.

This was a Radio 2 audience in the flesh and very sweet too. On a perfect summer evening classical lollipops are too cloying but unlike most divas Maria Ewing sings show tunes naturally and with feeling and was the star of the show. No doubt about who were the

stars in the hall. Felicity Lott and

stifled the silliness of the Promenaders: how can you upstage wit and sophistication? When Dame indulged in some competitive badinage which even managed to make the notorious cat duet marginally amusing.

The Prom in the Park was a great success and must be repeated; the Prom in the hall is a safe and comforting national ritual; the Proms themselves have never been in better shape, as the almost 90 per cent capacity for the season proves. In them ssical music flourishes.

Antony Thorncroft in the strings and razzmatazz in

scendo towards the Symphony Felicity got a grander bouquet stage for a pair of Proms on than Ms Murray after their Thursday and Friday. Like most Madam Butterfly duet they of the American "big five", it has managed to hold on to a prominent place in the world's orchestral hierarchy and can afford the

> pick of the top conductors. To the Proms it brought Daniel Barenboim and Georg Solti, its music directors present and past respectively. They have been the main influence on how the orchestra played for a quarter of century, so the Chicago sound is partly their making. Take a virtuoso orchestra of the American style, with plenty of beefcake

energy and stir in a thick sauce last night, the Chi- of Barenboim's rich romanticism. That is the Chicago Symphony Orchestra took the Orchestra that we have today, an undoubted world leader, even if

its style can be an acquired taste. In Barenboim's concert - a contrasting programme of Schoenberg's Five Pieces for Orchestra Op.16 and Bruckner's Eighth Symphony – the playing was bullishly confident, a weighty body of strings crowned at the climaxes by a massive brass chorale. But I missed the subtlety that European orchestras can bring to this music. If Barenboim's concert was

about triumphant power, then Solti's had fighting muscle. His. performances of Beethoven's Ninth Symphony have always

been strong on combative energy and the muscular Chicago strings really dig into the music for him. s part of the cre- the brass; fry with Solti's sizzling hard work of the first half of the symphony, which became a dogged assault on Everest, and it was not until the finale that the performance suddenly sprang to life. Solti's magnificent sense of drama is undiminished.

With René Pape's impressive bass leading the solo quartet and an all-professional chorus made up of the BBC Singers and London Voices, the symphony's triumphant ending brought a tumultuous reception from the Promenaders. Faced with applause that refused to stop, Solti finally made a little speech telling them they were the best audience in the world but now it was time to "Go home!" Yes but only until next year.

Richard Fairman

INTERNATIONAL **ARTS**

AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 Rusian and Ludmila: by Glinka. Performed by the Choir and Orchestra of the Kirov Opera with conductor Valery Gergiev. Soloists include Larissa Djadkova and Marina Shaguch; 2pm; Sap 21

BERLIN

CONCERT Philharmonie & Kammermusiksaai Tel: 49-30-2614383 Deutsches Symphonie-Orchester Berlin: with conductor Vladimir Ashkenezy, pianist A. Łubimov, soprano C. Barainsky, mezzo-soprano S. Doulexis, organist A. Gast and the Ernst Senti-Chor perform works by Debussy, Ravel and Scriabin; 8pm; Sep 21

BONN DANCE

Oper der Stadt Bonn Tei: 49-228-7281

 A Midsummer Night's Dream: a choreography by Youri Vamos to music by Mendelssohn, performed by the Ballett der Stadt Bonn. Soloists Include Vadim Bondar and Alexej Moussatov; 7pm; Sep 21

■ CHICAGO

THEATRE Candlelight Dinner Playhouse Tel: 1-708-496-3000 Seven Brides for Seven Brothers: by Kasha & Landay. Directed by David Perkovich and performed by the Candlelight Dinner Playhouse. The cast includes Kathy Voytko and Robert Gallegher, Wed 2pm & 8.15pm, Thu, Fri 8.15pm, Sat 4.15pm & 9,30pm, Sun 2.15pm & 7.30pm; to Oct 20

COLOGNE

CONCERT Kölner Philharmonie Tel: 49-221-2040820 Hermann Prey: accompanied by pianist Michael Endres. The baritone performs ballads by Carl Loewe: 8pm; Sep 19

DUSSELDORF

EXHIBITION Kunstmuseum im Ehrenhof Tel: 49-211-8992460 Bertram Jesdinsky: exhibition featuring works by this painter, sculptor and film maker, who died in 1992. The display includes targe-scale paintings, scale paintings, scale drawings, collades, installations.

films and video works; to Oct 27

HELSINKI **EXHIBITION** The Museum of Foreign Art, Sinebrychoff Tel: 358-0-17336360

 Homage to Holy Alexander of Svir, the Great Karelian Saint: exhibition of artwork on the subject of Holy Alexander of Svir, dated between 1400 and 1600. The display includes icons, silk, gold, silver and pearl embroided textiles as well as objects made of cold. silver and gernstones. The works come from the collection of the Russian Museum of St Petersburg; to Nov 25

LEIPZIG OPERA

Oper Leipzig Tel: 49-341-1261261 Carmen: by Bizet. Conducted by Jörg Krüger and performed by the Oper Leipzig and the Gewandhausorchester Leipzig Soloists include Cornella Helfricht, Zsuzsanna Bazsinka, Louis Gentile and Tomas Mowes; 7:30pm; Sep 20

■ LONDON CONCERT Barbican Hali Tel:

44-171-6384141 The Dream of Gerontius: by Elgar, Performed by the **Bournemouth Symphony** Orchestra with conductor Richard Hickon grazzo eoprano Jean Bigota fenor John Aler, baritone Pater Coleman Wright and the

London Symphony Chorus; 8pm; Sep 20

Wigmore Hall Tel: 44-171-9352141 Joji Hattori and Bruno Canino: the violinist and planist perform works by Kreisler, Mozart, Beethoven and Brahms; 7.30pm;

OPERA Royal Opera House - Covent Garden Tel: 44-171-2129234 Das Rheingold: by Wagner. Conducted by Bernard Haitink and performed by the Royal Opera. Soloists include Rita Culfis, Rosemary Johnson, Gillian Webster and Leah-Marian Jones; 7pm; Sep 21

MADRID

EXHIBITION Biblioteca Nacional Tel: 34-1-5807800 Ydioma Universal: exhibition focusing on Francisco de Goya's graphic work. The display features not only works by the Spanish artist, but also those by contemporary artists and old masters, including Cean Bermúdez, Dürer, Carraci, Piranesi, Rembrandt, Rubens, Van Dyck and Tiepolo. The exhibition features more than 300 works, including prints, sketches,

drawings, books and manuscripts; from Sep 19 to Dec 19

■ MUNICH

OPERA Nationaltheater Tel: 49-89-21851920 Die Meistersinger von

Nürnberg: by Wagner. Conducted performed by the Bayerische Staatsoper. Soloists include Adrianne Pieczonka, Silvia Fichtl and Bernd Weikl; 5pm; Sep 19

■ NEW YORK EXHIBITION

Solomon R. Guggenheim Museum Tel: 1-212-423-3600 Meret Oppenheim: Beyond the Teacup: the first US retrospective of the work of Swiss artist Meret Oppenheim. The exhibition spans more than 50 years of the artist's oeuvre, which has traditionally been associated with a single work. *Object (Le Dejeuner en fourture)" (breakfast in fur). Bringing together more than 100 loans from Europe and the US, the exhibition includes sculpture, painting and works on paper, ranging in date from 1931 to 1985; to Oct 9

PARIS

CONCERT Musee du Louvre Tel: 33-1 40 20 Boje Skovhus: accompanied

by pianist Helmut Deutsch. The baritone performs works by Brahms, Grieg and Zemlinsky; 8pm; Sep 20

■ SAN FRANCISCO

CONCERT Louise M. Davies Symphony Hall Tel: 1-415-864-6000 San Francisco Symphony: with

conductor Michael Tilson Thomas, soprano Heidi Grant Murphy and the San Francisco Symphony Chorus perform works by Ives, Poulenc and Ravel; 8pm; Sep 19,

SYDNEY

EXHIBITION The Powerhouse Museum Tel: 61-2-2170111 Treasures from the Kremiin: the world of Fabergé: five of the remaining Fabergé Easter Eggs designed and created by the Russian jeweller Peter Carl Fabergé are among the works etured. The exhibits come from the collection of the Armoury Museum at The Kremlin; to Sep

■ WASHINGTON EXHIBITION

The Philips Collection Tel: 1-202-387 2151 Impressionists on the Seine: this exhibition explores the origins and context of Renoir's painting "Luncheon of the Boating Party" of 1880-81, for which no preliminary studies exist. The exhibition features 60 paintings from international collections by such artists as Renoir, Monet, Manet, Pissarro, Caillebotte, Morisot and Sisley; from Sep 21 to Feb 9

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financial markets 17.30 Financial Times Business Toniaht

business and the

CNBC:

08.30 Squawk Box

European Money Wheel

18.00 Financial Times Business Tonight

Section 100 to the State of the hours ages.

Creditanstalt's sorry saga

When Austria's council of ministers holds its regular weekly meeting tomorrow it will probably be forced to discuss one of the hardy perennials on Austria's political agenda - the privatisation of Creditanstalt the country's most famous bank.

Since 1991 the Austrian government has been trying to sell its controlling 70 per cent voting stake in Creditanstalt, which was founded by the Rothschilds to finance the industrialisation of the Austro-Hungarian

In its heyday at the turn of the century, it was one of Europe's biggest banks. But now it has been reduced to little more than a political pawn because Austria's various factions cannot decide on how to dispose of the gov-ernment's shareholding, which is valued by the stock market at about Sch12.5bn (£780m).

The uncertainty has taken its toll on the bank. Its shares have underperformed the stock market and it has not been able to raise extra capital since 1991. It has had to concede its position as Austria's banking flagship to the partially government-owned Bank Austria, a pushy savines bank which is now far more highly rated

by international investors. Plenty of reasons have been given for the delays. But the crux of the matter is that Austrian politicians want Creditanstalt to remain Austrian-controlled vet there is not enough capital in Austria for this to be possible.

At the moment there is just one bid on the table an offer for only half the government's stake from an odd collection of investors led by EA-Generali, the Austrian arm of an Italian insurance company. The bid is being considered by Mr Viktor Klima, Austria's finance minister, but it appears to fall well short of the government's stated aim of maximising the value of its investment by selling all its 19.93m

ordinary shares for cash. The bid also fails to meet the government's second objective of using the Creditanstalt privatisation to help speed up the long-overdue rationalisation of Austria's The privatisation of Austria's leading bank has been stalled by politics, says William Hall

Creditanstalt: a political pawn 1,400 1,000

privatisation, Indeed, plans

by a former socialist finance

minister to sell control of

Creditanstalt to Credit Sui-

sse over two years ago had

to be dropped because of

opposition from the OVP.

Agreement is vital because

any change of ownership

may have to be approved by

Mr Klima is conscious that

a sale to a foreign owner is

even less acceptable now.

Recent German takeovers of

Billa, Austria's biggest

supermarket chain, and Steyrermul Papier, the pap-

ermaker, plus signs that the

German owners of Semperit

may be planning to close

down Austria's biggest tyre-maker, have fuelled popular

concern that Austria is in

danger of becoming an eco-

that there is only a partial

bid on the table, and the

offer does nothing to aid

banking rationalisation, the

most sensitive question fac-

ing the OVP and Mr Klima is

whether the latest bid will

pass the Austrian test.

Details of the consortium's

shareholder structure have

not been disclosed. However,

EA-Generali, the consortium

leader, is majority-owned by

Apart from the problem

nomic colony of Germany.

the Austrian parliament.

banking system. The country's oldest savings bank, First Austrian, had offered to merge with Creditanstalt. but dropped out of the EAnerale consortium at the last moment because terms could not be agreed.

The political ramifications of First Austrian's sudden exit are as important as its financial impact. Top jobs in big business are often shared out along party lines: leading figures in Austria's two biggest political parties, the social democratic SPO, and its coalition partner, OVP, the conservative People's party, have been closely involved in the country's hanks and largest compa-

Bank Austria is referred to as a "red" bank, because of its ties with the Social Democrats, while First Austrian is regarded as a "black" bank because of its links with the OVP. Creating an enlarged "black" bank to counter the growing power of Bank Austria was one of the political sub-plots behind First Austrian's planned merger with Creditanstalt.

First Austrian's exit is a dilemma for the OVP. It has always argued that there should be an "Austrian solution" to the Creditanstalt the Italian insurance com-

pany. Generali Assicurazioni, and the consortium includes two foreign banks, Banca Commerciale Italiana and Germany's Commerzbank. The only undisputed Austrian element in the consortium is a group of industrial companies, some of which have ties to Creditanstalt, and three regional banks in which Creditanstalt is the biggest shareholder.

The facts that Creditanstalt and EA-Generali have cross-shareholdings and that Mr Schmidt-Chiarl, Creditanstalt's chairman, and Mr Die trich Karner, his opposite number at EA-Generali, sit on each other's boards adds to suspicions in the investment banking community that the current consortium bid is a thinly-disguised attempt to impose a "Credi-tansfalt solution" which would guarantee the independence of the current management team.

First Austrian's presence in the consortium was critical because it at least provided the bid with some industrial logic and a solid Austrian shareholder, Now that it has departed. Creditanstalt's political masters have to decide whether to accept the current, partial offer, or start yet again.

Mr Hannes Androsch, former socialist finance minister and ex-chairman of Creditanstalt, believes that the government should stop the privatisation process because a convincing offer

has not been presented. If the government really is desperate for the cash, it could always sell its remaining 17 per cent stake in Creditanstalt's main rival. Bank Austria, which is worth about Sch9bn (£562m), or nearly 50 per cent more than the current partial bid for the Creditanstalt stake.

It is an attractive proposition for Mr Klima, an ambitious politician who is regarded as the heir apparent to the chancellor, Mr Franz Vranitzky.

However, it would not remove the damaging question mark hanging over Creditanstalt's future ownership. That requires the kind of firm leadership that Austria's squabbling politicians have vet to show

Standards of quality more than just a badge

From Mr Edward Hall. Sir, I read with disbelief your article entitled "Why tie yourself in knots over badges?" (September 9). In this piece, Lucy Kellaway states that quality standards for business are nothing more than "dinky little symbols" to put on corporate stationary. Surely this misses the point entirely? No organisation, particularly eading City firms, would invest the time and effort required by these standards if they were not reaping rewards far more valuable than an additional logo on a piece of paper. As Investors in People

manager at the Central and Inner London North Training and Enterprise Council, with responsibility for implementing the IiP standard in the City, the companies I deal with daily tell me that "It's not the award that's important – it's the processes we go through that add value to the

organisation". In my experience, companies never commit to IIP because they view it as a status symbol. There are sound, commercial reasons behind committing to a standard which will provide a framework for reviewing how a business operates. investors in People is flexible rather than prescriptive, enabling companies to take a step

back and look at how each

individual contributes to

given business objectives. Certainly, as Ms Keliaway suggests, there are other ways to measure success. Profitability, reputation and appearance are all parameters for asse company's worth. Reputation and profitability can change rapidly; more enlightened organisations are taking a longer term approach to people

development to ensure quality is constant. Edward Hell Central and Inner London North Tec. 80 Great Eastern Street,

In today's corporate world, it

seems, slim is still beautiful.

Last week BTR, the UK conglomerate, vowed to shed 37

businesses, like so many pounds of unsightly fat. Brit-

ish Airways is looking at

contracting out various operations, such as engineer-

other companies, including

told, is competitive as never

before. Companies must

therefore devote all their

energies to the things they

While this is true as far as

do better than anyone else.

it goes, there is a less benign

interpretation. Assuming the

businesses being sold by

BTR and Unilever are viable, comeone still has to run

them. Equally, someone still

has to perform the functions being hived off by British

Airways. Focus is all very

well: but could it be that

some companies are suffer-

ing a failure of managerial

nerve? Mr Bob Gunn, head of the

not captured by the cal com-

That question can be re-phrased in terms of one can-

tral problem: defining what

business. This is often one of

management. It is made no

easier by the fact that the

pany itself?

US must not be allowed to hold world trade principles hostage

From Mr Willy De Clercq. Sir, On behalf of my fellow colleagues in the European Parliament, I would like to express our profound concern with the extra-territorial nature of the Heims-Burton Act. Unlike, perhaps, any other US initiative, this law fundamentally questions European faith in the values of democratisation and the importance of economic liberalisation in civil societal

development. Joint cultivation of these values by America and Europe fostered the climate of expanding democratisation throughout the world, and contributed to the hope, among the newly enfranchised, for swift

inclusion into a reigning post-communist liberalised political and economic order. Crafting the European Union has, unquestionably, furthered the cause for these values in our part of the world. Swift political and economic action of the

Community has extended the hand of European economic co-operation to Spain, Portugal and Greece. Extension of economic benefits, coupled with their rapid inclusion into European democratic institutions boosted civil societal development and assisted in re-casting these societies. Rapid inclusion of the newly democratic societies of central and eastern Europe was advocated by both partners in an effort to nurture and sustain their belief in the

What is particularly onerous to Europeans is that Americans seek to apply the 'carrot and stick" approach to valued partners, who, together with the US, helped to construct the reigning system of economic and political liberalisation at considerable political and social cost to ourselves. To lecture Europe on the need to combat authoritarianism.

efficacy of democratisation

and economic liberalisation.

is disturbing to a polity which seeks to restructure itself at considerable cost to include the newly democratised countries of central and eastern Europe. My appeal is to our

American colleagues in Congress, who gave birth to this legislation, to consider the nuance and import of legislation on those in the world to whom they profess friendship. While we support them in their efforts to democratise Cuba, we will oppose, rigorously, efforts to hold the principles of world trade and economic liberalisation hostage. Such a dual track policy is only appropriate, and it is one that I will advocate in the European Parliament.

Willy De Clercq. Belgian Minister of State, chairman of the committee on external economic relations of the European perliament. Belliardstraat 97-113. B-1047 Brussels, Belgium

Diligent candidate for EU ignored

From Mr Christopher

Johnson Sir, It is surprising that your leader "Polish promise (September 13) echoes President Chirac's support for Poland's EU candidacy without mentioning, for example, Hungary, To admit Poland but not

Hungary would be to reward a wayward pupil and implicitly punish a diligent one. Poland caused much grief to western banks by

failing to pay its debts, but Hungary has serviced its debt scrupulously, while reforming its economic infrastructure more thoroughly than its

neighbours. France has old, emotional links with Poland, from Chopin to Prime Minister Poniatowski. Its farming lobby is less enthusiastic to see Hungary's wine, foie eras and other agricultural produce incorporated into

the Common Agricultural Policy, yet it has little to fear from Polish beetroot

soup and beer. Your conclusion that Mr Chirac "should now make clear that he has also considered the consequences of his argument" displays a delightful naivety about French negotiating tactics.

Christopher Jehnson. Glendale", Arkesde

More important than a tax on cakes

From Mr J. Wilkinson. Str. Your editorial "The VAT cake" (September 11) concerning value added tax avoidance has inspired me to devise a quite straightforward, but

nevertheless effective, VAT saving scheme which, for no personal reward, I am prepared to share with your readers.

The scheme is simple: instead of turning cakes into

round and VAT savings will be as easy as falling off a chocolate log (for it is chocolate biscuits which attract VAT, while cakes are zero-rated).

On a more serious note you failed to address the real Jaffa cake issue which was the attempt by Customs & Excise to tax something which was zero-rated. I trust the FT does not advocate this behaviour, even at a

revenues are £5bn below forecasts, and I respectfully suggest that your time would be better spent questioning new proposals to prevent taxpayers from recovering VAT which has been overpaid as a result of Customs' misunderstanding of UK VAT legislation.

J. Wilkinson. 68 Queens Road, Feltham.

Gas AG The fashion for focus can go too far, argues Tony Jackson

Linking up with success

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A failure of managerial nerve

ing, maintenance and baggage handling. A string of Unilever, the Anglo-Dutch consumer glant, has announced disposal plans. to others. The advent of digital technology has changed From a managerial view-point, the common theme is that. The Financial Times, which once produced its entire worldwide print run focus: the attempt to pare at its plant in the centre of the company down to its London, now owns no print-ing plants at all. essential functions. The world of business, we are

What about British Airways? In fact, the airline industry has a better case than most for paring its operations down to the bone. One could argue that BA's essential assets boil down to just two: its right to fly on certain routes and its brand

Commercial air travel is sentially an undifferentiated commodity. Suppliers depend on the same two aircraft manufacturers, Boeing and Airbus, and the same three engine makers. All offer similar quantities of legroom, food and entertainment, and use the same air-

US consultants Gunn Partners, points to the example of a multinational oil com-Already, BA relies on outside suppliers for its security and cleaning. It does not own many of its aircraft, and pany which handed over the entire accounting function for its North Sea operations on some minor routes it even employs other airlines to fly under the BA livery. to a big management consalting firm. The consultants found it possible to reduce staff drastically, and made a correspondingly fat profit on All that matters is the brand It pays not simply the contract. But why, Mr

Gunn asks, was that profit to hand services over to someone else, but to retain the power to is really essential to the the hardest tasks facing improve and

modify them.

answer tends to change. British Airways, it Take, for example, the newspaper industry. It was once thought essential for Seems, agrees newspapers to own their printworks, since the production process was too com-

plex and critical to entrust name, with its promise of a certain standard of service, punctuality and safety.

There is a parallel with one of the most potent brand names of all, Coca-Cola, Popular mythology says the essential asset of Coke is the secret recipe. In fact, that is merely part of the mystique of the brand. In practical terms, it would doubtless be possible for Coca-Cola to contract out the manufacture of the basic syrup, as it does the business of adding fizzy water and putting the

result in a bottle or can. However, Coca-Cola also illustrates the limits of the principle. In a recent article in the US magazine Chief Executive, Mr Roberto Goizueta, the company's highly regarded boss, recalls that in his early days some 15 years ago, the company found it ssary to reverse gears and involve itself more closely with its bottlers.

"In the past," he said, "we thought of [the bottlers] as our customers, rather than our partners. Consequently, we applauded their success or criticised their failures, but never did anything about them."

Now, by contrast, Coca-Cola makes a practice of tak-ing equity stakes in its bottiers around the world, as a means of establishing a clear community of interest.

simply to hand services over to someone else, but to retain the power to improve and modify them. British Airways, it seems, agrees. Though details are still unclear, it seems likely it will invite equity participation by outsiders in its engineering business, while is broken themselves; and retaining effective control, they must extract value for What about companies

nesses, such as Unilever or

BTR? Here again, much depends on circumstance. At an early stage in its development, Unilever was a classic case of vertical integration, 6 owning everything from palm oil plantations in Africa to oil mills and retail

All that has passed into

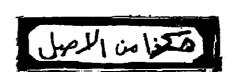
history. In a world of increasing expertise, others can be trusted to specialise in providing raw materials or shipping the end product. Unilever's essential assets are increasingly defined as a portfolio of strong brands and the means to produce them cheaply and efficiently. As for BTR, the jury is still out. The conglomerate principle is in disrepute, at least for now, and a new generation of managers at BTR finds it necessary to

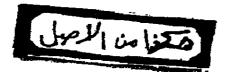
focused operation. Since BTR will still be highly diverse, this may be as much a matter of presentation as of substance. In practice, the programme appears to mean selling businesses which make an unsatisfactory return on capital. Those who buy them will do so in the belief that they can do better. Again, the same principle applies. If they are right, why is BTR so sure that it cannot do the

redefine the company as a

How long the fashion for focus endures is a matter for debate. In the US, the cycle of selling off peripheral businesses is much further advanced and may be near its end. In such circumstances, the acquisitive appetites of managers revive. Last week also brought the news that Gillette is to pay \$7bn (£4.5bn) for Duracell International, thus broadenin other words, it pays not ing its focus to include bat-

In Europe, by contrast, the fashion for disposals and outsourcing has doubtless further to run. But however the pendulum swings, managers are left with the same basic obligations. Whenever possible, they must fix what they must extract value for their shareholders, instead which shed whole busi- of handing it on to somebody





COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday September 16 1996

Bonn tightens its belt

Chancellor Helmut Kohl won a series of vital votes in the German Bundestag on Friday, clearing the way for curbs in the cost of the welfare state. The whole austerity package is an essential precondition for Germany to fulfil the Maas-tricht criteria for European eco-nomic and monetary union. These were votes the Chancellor had to win, and he did so with an impressive demonstration of discipline within the ranks of his ruling coalition.

Undoubtedly, the need to meet the Maastricht criteria has concentrated minds in Bonn. It has focused attention not just on short term budget rigour but on the much more important structural reforms needed in the high-cost, high-benefit German

Spending cuts have been imposed on almost all government departments to meet Mr Theo Waigel's planned DM25bn savings. In addition, the finance minister intends to carve DM20bn out of the state insurance and pension funds, and cajole the 16 Länder into cutting a further DM25bn from their spending plans. He is by no means home and dry.

This is harsh medicine for a country which has got used to its comfortable lifestyle. But it is overdue. For example, Germany's generous sickness pay has produced an abnormally sickness-prone workforce. Cutting the entitlement should help. Raising the pensionable

lar, but it is surely a more sensi-ble reaction to rising life expectancy than the current trend to early retirement.

were to change."

insisting non-participants in Emu

City. Now, after two months of silent reflection, Mr George has

entered the debate - to reassure

UK-based banks. "There will not

be serious implications for the

City if access is restricted. There

are lots of other possibilities for

payment, like the Ecu clearing

system and correspondent banking." Exclusion from Fedwire -

the US Federal Reserve's same

day money transmission service for member US banks – has not

technical or practical effects as

"For the first time something

Emu discussion which is discrim-

inatory for a non-monetary rea-

son," Mr George says. "The

French banks and some of the

German commercial banks have

explicitly argued: 'Aha! We can

of the debate. It would move from

a constructive environment

where people were all working

were in a different game of pro-

For these fears about the nar-

row question of Target highlight

a broader problem: how the

future "ins" and "outs" will

Mr George insists - unsurpris-

ingly - that a single currency

must not divide Europe. And he

still believes this can be pre-

vented by a consensus to pursue

"Frankly, that consensus is

what is critical for the 'ins' and

'outs'. If the 'ins' want to develop

stable macro-economic policies.

together to one where people

"This could change the nature

steal a competitive march."

tecting national interests."

relate in Emu.

harmed the City, he adds. Nonetheless, the Target dispute has stung - not so much for its

for its political overtones.

The threat has alarmed the

should face restrictions.

Another controversial measure will reduce job security in small businesses. Paradoxically, it is intended to boost job cre-ation, by making it less risky to hire new workers. The move encapsulates the gamble on which the whole package is based: that it will create jobs. while curbing spending.

Much of Mr Waigel's planned

savings are supposed to come from ending all subsidies to the Federal Labour Office, which doles out unemployment benefit. But if unemployment does not drop sharply from the present 4m mark, the only way to cut the subsidies will be to

reduce benefit payments.

Mr Waigel's other gamble is on the good sense of the Lander, most of them ruled by the opposition Social Democrats. They have so far failed to produce spending cuts which come near their DM25bn target. They are also resisting his tax reforms, and his plan to delay an increase in child allowances. They will undoubtedly demand a price for their acquiescence.

Friday's vote in the lower house was therefore an important psychological signal that Germany is aware of the need for far-reaching reforms. But getting there is not guaranteed. It will still be a long and painful

Airbus's future

The plan by Airbus Industrie to build a 550-seat aircraft, the A3XX, will require changes to the way the European consor-tium operates. Airbus has said its existing shareholders -Aerospatiale of France, Daimler-Benz Aerospace of Germany, British Aerospace and Casa of Spain - cannot build the aircraft on their own. Other com-panies, from Europe and Asia, will have to be involved. Airbus. has also committed itself to ing status, turning itself into a company responsible for its own

financial health. One aspect of Airbus practiceis unlikely to change, however: European governments will be asked to contribute to the cost of the A3XX, which Airbus puts at \$8bn. International agreements permit up to a third of development costs to come from state funds. But before they commit taxpavers' money, governments will need to establish some ground rules and ask some searching questions.

First they will have to insist that there is no question of subsidising the A3XX. If governments are to invest, it must be because the project provides them with the prospect of a decent return.

The second question is whether the A3XX is the right aircraft. Its champions argue that Airbus needs to offer a complete family of aircraft if it

lines like to buy aircraft from a single manufacturer because it cuts training and maintenance costs. Airbus is at a disadvantage because it has no aircraft to compete with the Boeing 747, which carries 400 passengers Boeing is planning to "stretch" the 747 to create an aircraft with 550 seats. Hence Airbus's desire to build the ASXX to

However, it is not clear that be big enough to make the ASXX a commercial proposition Boeing says it expects airlines to buy 470 aircraft with more than 500 seats over the next 20 years. Airbus says the figure is 1,400. What should werry European governments is that the Airbus partners' individual figures are closer to Boeing's.

An alternative would be for Airbus to consider how it can compete against the heavily used 747 rather than the stretched version, which will almost certainly find fewer takers. Airbus is already consider ing stretching its A340, increas ing its capacity from 300 to 370 seats. A stretched A340 is not a complete answer as it is slightly smaller than the existing ver sion of the 747, but it would extend the Airbus product range. European governments should be asking whether this project should not be given priority over the ASXX.

Golden eggs

Only a Mafia boss would expect, after taking his goose to market, to carry on collecting eggs. However, this is, in effect, what the UK government has achieved from its privatisation programme during the last 12

years.
Those who accused the Conservatives of selling the family silver picked quite the wrong cliché. Silver brings no income, except, perhaps when it is on the broker's lunch table. Privatised industries on the other hand, have nearly all made substantial profits.

Some, including the Labour party, have criticised the large rewards to shareholders and senior executives. But they have often neglected to consider the proportion of gross earnings which continued to flow back to the public purse via corporation tax, interest and repayments of

A study published this weekend by the Centre for Policy Studies, a Conservative thinktank, shows that since 1986-87 the government has received a net inflow of almost £80bn, or an average of £8.8bn a year, from the industries that are now fully priva-

Only half of this come from their sale. About £7bn of it represented transfers to the government by industries that had not yet been privatised. That still left an average

privatised companies were paying back to the government This was 10 times the benefit received in the five years up to March 1984. when the geese were all nationalised.

These figures leave room for argument, for example about the extent to which the industries were fattened for sale, the role of the debts which they carried at privatisation, and whether profits since then were excessive.

Nevertheless, it is clear that the large efficiency gains which resulted from privatisation have been shared not only between customers and shareholders but to a significant extent with taxpayers.

The benefit to the exchequer will decline, as government debts are repaid and as profits are more closely controlled by regulators. But the flows are likely to be higher than before privatisation.

For these reasons, the Labour party's plan for a windfall tax on the privatised utilities would be perverse as well as unjust. The new government will need to keep the golden eggs rolling into its

This will happen only if the industries retain an incentive to make profits, a concept still new

The FT Interview • Eddie George



Walking the Emu tightrope

The Bank of England governor talks to Gillian Tett and Andrew Gowers

this as a truly European mone- who are unlikely to be founder budget deficits and debt should this consensus.

This requires co-operation from both the 'ins' and 'outs', he admits. Likely members such as France and Germany need to accept that inflation targets can be as effective a constraint for the 'outs' as a revived exchange rate mechanism. At the same time, he believes, the 'outs' must show a commitment to responsible economic management, "If our exchange rate did gyrate as a result of deliberate, persistent policy," he says, "I think they would feel justified in taking action against us to protect the

single market." However on Target the debate seems deadlocked. France and Germany continue to demand restrictions. And Mr George shows little flexibility. "We are not in the business of compromise over Target - we are talking about principle."

The trouble is that, as Emu draws closer, the voice of those

tary union, rather than an exclumembers will inevitably carry fall below 3 per cent and 60 per

Mr George denies he is losing influence over the process. "I don't think that there is a loss of leverage for the UK at the moment," he says. "If you have a valid point to make, everyone has been prepared to listen to it." It is also true that the Bank has won plaudits from other EU central banks for its contribution to Emu preparations. But the governor is aware that

the negotiations are now moving from the technical to the political arena. And here, the UK's ambiguous stance towards Emu risks undermining its influence. In any case, Mr George does

not disguise his own doubts about UK membership: in casual speech he refers to the likely 'ins' as "they" rather than "we". And his views on Emu itself carry an increasingly sceptical tinge. He fears, for example, that key

countries such as France and Germany will miss the Maastricht convergence criteria that

tic product in 1997. "I think it is less likely [that the conditions will be in place for Emu] than it looked a year ago," he says.

As a result he worries that the essure will be on to fudge the criteria, which would only make matters worse. "You can understand the political impetus - but people have to understand that if the economics go wrong it will produce political tensions rather than removing them. "Even if you manage to meet

the criteria there are still risks that convergence will not be sustained. But if you don't even meet the criteria you are escalating the risk all the time. If the judgment in the spring of 1998 is that the convergence is not sustainable then the sensible thing for the ministers to do will be to delay."

Emu enthusiasts fear this could provoke market turbulence or tempt governments to abandon budget cuts. But Mr George dubs these "second-order prob

He adds: "It is not realistic to think that we can go on in Europe with 12 per cent plus unemployment in France and 8 per cent in Germany - that differential introduces a real ten-

"It is entirely conceivable that you could get tensions develop-ing between Germany and France because you start with these potential tensions reflected in the unemployment rates. That could lead to considerable difficulties in agreeing monetary policy, or pressures for fiscal transfers - and could give succour to

In these circumstances, he believes the UK should remain outside. "I don't know that I would want to get mixed up in those risks. It's a question of risk reduction.

Does that mean the UK should make clear now that it does not plan to be a founder member? Mr George recoils, saying he "cannot see any upside" in ruling out UK participation now. "I think we should be as constructive and cooperative as we can."

The problem with this ambiguous position is that it does not help the Bank with its other task of preparing the City for Emu. Foreign banks have warned the Treasury that political uncer-tainty about Emu could harm Britain's financial sector. And the Bank has faced criticism that it is not providing the City with clear leadership over Emu.

The Bank insists it is doing extensive work behind the scenes. "I don't think that any judgment that London is lagging behind (in preparations for Emu) is based on anything other than emotion," says Mr George.

But he accepts that UK business is showing new concern about the implications of Emu. "At the beginning of the year, with Chancellor Helmut Kohl's victory in Germany's local elections, there was a change in mood. The perception was that there was a renewal of political commitment from Mr Kohl and French President Jacques Chirac - even though the economics were, if anything, turning in the opposite direction. As more work was done, that identified issues which needed to be resolved which focused peoples' worries."

Mr George is keen to dispel the

concern. The Bank's research, he says, concludes that the City will flourish even if it stays outside Emu: "The potential pluses for the City are very considerable in relation to the potential minuses.

"Our strengths are massive. Why do you think all these people are coming here, like Deutsche and Dresdner in relation to in relation to European treasury operations? They must assume that the odds are that Emp will happen and we will be outside but they are still coming.'

He admits his optimism is founded on two factors. The first is that the City is ready to handle the euro in 1999, at least as a foreign currency. He will address this today with the publication of a report on the City's Emu preparations. "I see no reason why we won't be ready." he arroses.

The second factor, though, is a hope that the European debate will continue "in a constructive, mutual-interest kind of way" And this problem is not within his control alone. "Target suggests the game may

now be changing," he murmurs, speaking with a cental banker's deliberation. "I don't believe this has to change. I would very much regret it if it does. It would be in nobody's interests if that

OBSERVER

Can we see the books?

Bink of Kingland botton running the Bink for International Settlements has Addiew Crockett, the former Settlements has a mobium.
The home for Next gold in
Swiss being as betting up. It can
only be arealter of time before
some pentility seeking politicism
maybe stimuse d'Amato. chairmann of the US Senate benefits Committee — summous Crockets of the Committee — summous Crockets of the Committee of the DIS hessanden its share of the

See is National Bank, the only offer institution allowed to impost sold into Switzerland during the second world war, said officially that perhaps it didn't gives many or as judging functions as it should

problem, registrons as it should have considering the origin of its Germanicold purchase.

But at least the SNB has opened by the welder major certain banks, is keeping by wartime seems; index, logicant key, Perhaps there seems of banking was a German least of banking was a German was arrival the secretary epictual was arrival the secretary epictual was arrival economist, has been secured of leaking the has been strused of leaking the Allies shancial plans to the orus at a same of the US

was unhappy with the BIS and wanted it abolished. The final recommendation of the 1944 Bretton Woods Conference was that the BIS should go. But Morgenthau fell out with President Harry Truman and resigned, and the BIS survived Thomas McKittrick, BIS president during the war, left to be a senior executive of Chase National Bank; Jacobsson eventually became a famous managing director of the International Monetary Fund.

The BIS had a good war. Just how good, we'll never know mless Crockett does the decent thing and opens up its files. Heavy weather

Northern Italians often mean about state bureaucracy and inefficient public services. accusing Rome's politicians of being corrupt and its civil servants of idleness. If the weekend's journey down the River Po by Umberto Bossi, leader of the secessionist Northern League, is anything to go by, northerners are probably better off with what they already The Bossi demonstrations and

meetings were organised with rather less slickness than the average Neapolitan post office, with a punctuality emulating the state railways and national

abline Alitalia - on bad days. But Bossi got one thing right. Ten days ago when meteorological prospects looked gloomy, he assured his followers that the weather would be fine. And it was. So if his dreams come to naught, he could always turn to weather forecasting.

Network oracle Larry Ellison has returned from vacation tanned as a hot dog and firing on all barrels on behalf of his cheep network

comouter idea. The Oracle database chief is now on tour, proclaiming he's surprised his idea "has proved so controversial". Since all he has. to show is a well-thumbed dummy of the dream machine he intends shall house \$25-worth of Oracle software, "controversial"

perhaps isn't the word. But Ellison is hot on propaganda. He reckons his idea will soon make dinosaurs out of web browsers, and that the stock market has got it all wrong about glamorous Internet-based companies. The time is nigh for his NC a stripped-down personal computer which uses programmes and storage from remote servers accessed via the Internet "Everyone will have

it." savs Ellison. Price - or the lack of it - is the thing, according to Ellison. Early this year, when he

launched the idea in consort with some hardware companies. the NC was going to cost \$500. Now, he says, consumer electronics companies will have basic models at \$300, while PC-makers' "premium" versions

will cost \$700. But best of all, telephone companies and other service providers will be giving them away free within six months and making their money on services,

Free? Pterodactyls might fly.

Money in muck Theo Waigel, lord of Germany's creaking state coffers, is a trifle exasperated by local authorities; he feels they aren't doing enough to privatise or save money. But signs are emerging that Waigel's message

about better managing of

resources is finally getting

through. Take Hanover. Along with the rest of the state of Lower Saxony they conducted local elections yesterday. Because conventional ballot boxes are too expensive. Hanover decided to use rubbish bins instead. Five hundred specially customised big yellow trash containers were brought

into action. Each bin costs just over DM50, while ballot boxes cost DM170 a shot - a saving of almost DM60,000. Waigel will be pleased.

Financial Times

50 years ago Future World Trading Future trading conditions in the world's markets were dis-

cussed by Mr. Percy Lister, chairman of R.A. Lister and Co. before the British Englneers Association. Mr. Lister recently completed an 80,000mile tour investigating the conditions of markets for the products of British capital equipment engineers. Here are some of his comments on countries visited. CANADA - This great Dominion has come out of the

last great war in a sounder financial and economic posi-tion than most parts of the Empire. The benefits accruing to this fundamentally great primary producing country, as a result of our buying Canadian bacon during the war and the consequent introduction of mixed farming into those wheat producing areas of the Dominion has done much to overcome one of Canada's pre-war great domestic economic problems. UNITED STATES - The

spending and purchasing power of the American people has reached a phenomenally high level, and while much thought and talk is given to American export targets, the fruits awaiting purchasers of capital and consumer goods, rich as they are in their domestic market, is bound to attract the prior attention of



FINANCIAL TIMES

Monday September 16 1996



Still-birth of a new nation

r Umberto Bossi, leader of Italy's sepa-ratist Northern League, arrived in Venice yesterday at the head of a flotilla of boats and declared the indeeral Republic from the Italian

Although he had forecast that im people would turn out during three days of rallies to witness the birth of a nation, it was a still-birth and only 18,000 were present to hear his speech.

The secessionist declaration was the climax of three days of gesture politics by the abrasive Mr Bossi. While the rest of Italy was dismissive, some in the putative state of Padania an ill-defined area of northern Italy - found it hard to summon interest.

Asked if he had felt the "Bossi effect", a barman in Boretto, a village on the banks

By Patti Waldmeir in Washington and Roula Khalaf In London

The US appeared yesterday to

back away from another imme-

diate confrontation with Iraq.

A senior US official said Wash-

ington would closely monitor

the actions of President Sad-

dam Hussein, but would not be

Mrs Madeleine Albright, the

US ambassador to the United Nations, said the US did not believe it would face further

provocation from Iraq.
"It looks as though Saddam

Hussein is not going to do any-

thing else," she said in a tele-

vision interview, adding the

big US military presence in the

Gulf represented "a very

strong deterrent" to Baghdad.

After stepping to the brink

"pressed into overreacting".

David Lane in Venice witnesses the lacklustre "secession" of Padania

replied: "No, I slept quite hap-pily."

The indifference came as a relief to the government which had been concerned that demonstrations linked with Mr Bossi's three-day progress from Turin down the River Po seen as the artery of Padania might turn violent.

Although many commentators have ridiculed Mr Bossi's secessionist threats, others view them as an assault on the unity of the Italian state. Mr Romano Prodi, the prime minister, had warned that Rome would be "vigilant but inflexi-

The events of the weekend took on a sour note for Mr Bossi with an announce by magistrates in Turin, in north-west Italy, that they

US adopts 'wait and see'

position over Iraq action

llam Perry threatened "dispro-

portionate" action against Baghdad, the US administra-

tion yesterday put officials on

national television to outline a

"wait-and-see" attitude to fur-

ther attacks. They hinted the

US might refrain from further

Meanwhile, Washington's

efforts to present a united

front against President Sad-

dam received a series of set-

backs yesterday, when Mr Perry was rebuffed by Saudi

Arabia and Kuwait during a

Saudi officials said they

were unavailable for a morn-

ing meeting with Mr Perry,

forcing him to return to the

Kingdom later in the day. Reflecting Saudi Arabia's

desire to defuse Iraqi-US ten-

sions, Prince Sultan, the Saudi

visit to the region.

retaliation, unless provoked.

Northern League to the core, Mr Bossi's declaration and the camicie verdi, or green shirts, the Northern League's controversial militia. On Saturday Mr Bossi announced the creation of a "national guard" of

> In his address from the Bank of the Seven Martyrs on the Grand Canal, Mr Bossi said that the Padania people, were "natural, cultural and socio-economic community".
> "Padania is an independent

and sovereign federal repub-

lic," Mr Bossi said. He claimed the Italian state was guilty of "colonial oppression, economic exploitation and moral vio-lence" and said "thieving" Rome had annulled all forms of autonomy and self-govern-

Mr Bossi said northern money had been siphoned off

described Baghdad's new posi-

for the stationing of 5,000 US

ground troops in the country

after Washington had already

announced their deployment.

Mr Warren Christopher, US secretary of state, said he

expected Kuwait to give the

go-ahead for the troops "in due

Leading Republicans sought

to exploit the Kuwaiti refusal. "This situation is in terrible

disarray. The credibility of the

US is at stake," Sen John

Mr Perry won some support

in Bahrain, which agreed to host 26 American F-16 jet fight-

ers, according to the local state

news agency.

McCain, Arizona Republican,

Kuwait withheld permission

tion as "reasonable".

There were few visible signs of support for northern independence yesterday in the prosperous agricultural towns and villages alongside the Po. The only clashes were between police and extreme rightwing supporters of a united Italy. Mr Giantranco Pini, leader of the rightwing National Alliance party, attracted at least 150,000 supporters in Milan in a carefully prepared march for

The substantial police forces marshalled on the banks of the Po, the security forces on bridges and the police underwater teams were barely used. The weekend's events illustrated Mr Bossi's capacity for staging political theatre, but may also mark a watershed: even ardent backers attending

the rallies said secession is not essarily the aim and that greater regional autonomy would be sufficient.

Bank warns of Emu rift

 Disagreed with Euroscep tics who say Britain's Conservative government should rule out participation in Emu before the next election.

ments with Mr Kenneth

Mr George's remarks come

Continued from Page 1 treaty, and said a delay would

be preferable to dilution.

• Believed the City of London would reap large benefits from monetary union even if Britain was not a founder member.

Clarke, UK chancellor, over the level of interest rates. Their differences were "very small - within the margin of error, though we continue to hold to our view [on monetary policy] firmly".

as the Bank publishes a report which says Emu preparations in the City are well advanced, and expresses confidence that the UK financial sector will be able to handle the euro by

Had only slight disagree

present value (NPV) calculations. This compares the expected return while making allowance for the time value of money. Its advantage is that it is based on relatively sim-

However, NPV does not distinguish between two projects with the same average return but a different distribution of outcomes. Nor is it as good at valuing an oil well or a new drug - where returns are uncertain and long-term but little money is needed up front - as a bridge or a new factory, where the risks are generally lower but the

Lifting the veil

ods alone, one would conclude the

But the fact that only minimal

Starting an R&D programme is in

return that is uncertain now but

which may become clearer in

future. The initial investment

equates to the price of the option;

and spending another lump of capi-

tal is like exercising the option something a company needs to do only if it is confident it will be in

Not surprisingly, an approach

which uses this type of thinking is based on the Black-Scholes model

used to value financial options.

the money.

THE LEX COLUMN

prove entirely accurate, they are far from ideal. The main problem is that Olivetti does not give a proper divisional breakdown of profitabil-ity. True, the group has for the first time stated its divisional operating profits. Unfortunately, the figures are not much use because it has not revealed the assets of each division. So there is nothing to stop assets being shifted around the group to flatter the profitability of some divisions at the expense of others. The inadequacies of Olivetti's accounts are far from unique in Europe. capital is committed at the start. Many companies, including most This matters in practice. Take, for Italian ones, produce no divisional breakdown at all. Others - Roche is example, two projects both costing £100m, of which £10m is needed up a typical example – only give sales front and the rest later. Assume by division; so one knows precious little about the profitability of difproject A will produce a return of ferent businesses, French compaeither £110m or £120m and project B, either nothing or £180m. Project A's NPV is £15m, while project B's nies do tend to give profits by division, but often these are net of interest and tax: unless one knows is minus £10m. Applying NPV meth-

The Olivetti affair has raised

questions about the accuracy of the Italian high-tech group's reported

results. But, even if the figures

rying, that is pretty useless too. Ideally, companies should publish operating profits, depreciation, capifirst project was better and the secand should be discarded. capital is sunk at the start of the tal expenditure and assets by division. Investors can then calculate project is crucial. If, as in many returns on capital for each business R&D programmes, the first £10m produces no results, the project can be dropped; but if the results are and make informed judgments shout whether managers are right good the further investment may be to invest in a particular area or should make cuts. Such information almost risk-free. So the real choice would, of course, help shareholders in project B may be between a loss hold managers to account for their strategic decisions - which may be of 210m and a profit of £80m clearly an attractive investment. one reason most companies do not effect like buying an option on a divulge it.

how much debt each division is car-

Valuing R&D

How do companies value research and development? These days, most submit projects to some sort of financial appraisal based on net of an investment with its cost, ple mathematics and is therefore quick and easy to use.

This method, called option modelling, allows companies to incorporate a range of risk factors into a single model. That makes it more useful than an NPV sum, where the only knob you can twiddle is the discount rate, And whereas NPV calculations implicitly assume that companies a framework they can

ing assumptions have changed According to PA Consulting, some big oil and pharmacouticals some oig oil and pharmaceuticals companies are already using option modelling. It can also help investors value biotechnology stocks, whose future profits typically depend on the outcome of a small clutch of

R&D programmes.

More generally, if companies learn to assess risk with greater precision, they should be able to take on more high-risk, high-return projects and manage them better. That should boost their productivity, innovation and ultimately their

Metals prices

In the mythology of the metals business, 1996 will forever be associated with Mr Yasuo Hamanaka, the infamous Sumitomo trader whose manipulation of the global copper market led to his firm suffering \$1.8bn losses. But the latest bout of nerves over the outlook for base metal prices reflects concerns about growth prospects for the Group of Seven leading industrial countries

It has already been a disappointing year; high expectations have been dashed, with average copper and aluminium prices 20 per cent and 15 per cent respectively below 1995 levels. Some observers remain optimistic about next year. Last week RTZ, the world's largest min-ing group, predicted a "rising trend over the next 18 months at least". But the grounds for optimism are far from assured. September is normally the month when European customers return from holiday and place forward orders. This year the phones have stayed ominously silent. The economic outlook, meanwhile, is hardly encouraging. Growth in Europe's economy, stag-gering under the deflationary Masstricht burden, will be lucky to exceed 2 per cent next year. The US economy is expected to slow, and Japan remains fragile. Inflation is also very subdued, and looks likely to remain so.

This is all a far cry from the supportive backdrop to the 1994 bull rally when commodities played their traditional role of inflation hedge as investors fled the fixed income market meltdown. Declining stock levels indicate that the market should tighten over the next a project once begun cannot be year, lending some support to stopped, option modelling gives prices. But without the prospect of a robust global upswing, the chamuse to judge whether their underly- pagns will have to be kept on ice.

of confrontation last week, defence minister, has said he does not expect further US US weakness, Page 4 Boom in corporate law work

By Robert Rice

The UK's leading commercial law firms are enjoying a boom in corporate work unseen since the late 1980s supported by the increasing success of their international operations.

According to the annual survey conducted by Legal Business magazine, published today, Clifford Chance, one of the top five UK legal firms, earned £92m (\$143.5m) or onethird of the firm's gross revenues from its foreign offices in

The study says Clifford Chance's success abroad, the result of 20 years' investment in overseas offices, could encourage the two arch conservative UK legal practices, perations to keep pace. Slaughter and May remains

firm, however, with average profits per partner of £460,000. The top 100 firms billed £3.25bn in fees in 1995-96, an increase of £250m over the previous financial year and £500m

more than in 1992-93. According to the survey, the highest-paid lawyers in the City are at Slaughter and May where senior partners earned £560,000 last year. Those in their first year as junior part-

ners earned £280,000. London financial circles believe that the study has considerably underestimated the earnings of senior partners in the top firms.

Slaughter and May and Link- One partner from a top five figures for his firm were low, but said the high earnings the most profitable UK law vere iustified.

When you take account of the fact that partners must provide for their own pensions, don't get bonuses or share options and can't limit their liability, their earnings don't seem out of line with those of senior company directors," he

The survey shows that the top five firms, Clifford Chance, Linklaters & Paines, Fresh-fields, Allen & Overy and Slaughter and May, have increased their lead over the rest. Lovell White Durrant, the sixth-placed firm, suffered a fall in revenues from £115m in 1994-95 to £118m.

Bosnia poll endorsed

emerge today. After shuttling between Bos-

nian President Alija Izetbegovic and Serbia's President Slobodan Milosevic, Mr Holbrooke announced that the two Balkan leaders would hold their first bilateral summit in three weeks in Paris. Diplomats said that if the meeting went ahead, it would seal the establishment of full diplo-matic ties between Sarajevo and Belgrade

If the OSCE formally approves the election, UN sanctions against Belgrade, which were suspended after Dayton, will be lifted automatically within 10 days.

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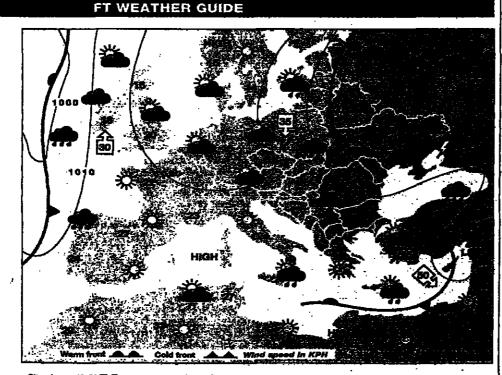
September 1996

Europe today

High pressure will strengther over Norway, improving conditions over Scandinavia and countries around the North Sea. The area will be mainly dry with sunny periods and temperatures active low pressure system over eastern Europe will produce plenty of rain from north-eastern Europe into Poland. The Mediterranean will be mainly dry with sunny periods. Central and southern Italy will have a few thunder showers. Portugal will have heavy rain from the west at the end of the day.

Five-day forecast

Low pressure systems will move across southern Europe, triggering plenty of heavy rain and thursder atorms during the week. High pressure will persist over northern Europe, producing



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